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## Pandemic Recalibrates Rules of Engagement for Gulf Expatriates

By Narayanappa Janardhan<sup>1</sup>

### Abstract

Unlike migration in many parts of the world, foreign workers in the Gulf region were subject to the ‘Conditional Migrant Integration Model’ to avoid granting of certain rights that would alter the prevalent socio-economic-political fabric. This ensured that expatriates remain in a state of “permanent impermanence”. However, amid a combination of factors—transition from oil to post-oil economy, economic slowdown, and intra-regional economic competition—Covid-19 has served as a disruptor of the rules of engagement between the regional governments and the expatriate population, including women. Recognizing the benefits of retaining talented and wealthy expatriates, some of the Gulf countries have rolled out multiple strategies, including reforming the Kafala system, offering longer durations of residence, and even potential citizenship, which is viewed as “conditional inclusion”. Using a combination of empirical data from secondary sources, laced with anecdotal evidence, this research paper delves into these changes, analyzes their impact on the future of Gulf expatriates and their contracts with their governments, assesses the impact on the delicate citizen-expatriate alignment, as well as the contradictions in some of these measures, especially nationalization of the workforce.

*Keywords:* Gulf, Expatriates, Labor reform, Covid, Citizenship

### Introduction

Expatriates are a crucial component of the workforce and resident population in the Gulf Cooperation Council (GCC) countries. Numbering about 25 million, they are a majority in four of the six countries, except Saudi Arabia and Oman, and constitute over 85% of the population in the United Arab Emirates and Qatar, thus considerably influencing the socio-economic fabric of the region.<sup>2</sup>

A combination of low oil prices, slowing economies, expanding policies of nationalization of workforce, and the coronavirus pandemic-induced job losses forced millions of expatriates to return to their home countries. Businesses in most sectors are under strain, with retrenchment being reported across blue- and white-collar jobs. While the initial estimate of 13% decline in employment across the region, leading to an overall population decline of around 10% in the UAE and Qatar may not have materialized, millions did return home.<sup>3</sup> According to S&P Global Ratings, the GCC countries’ population registered a 4% decline in 2020.<sup>4</sup> Kuwait’s expatriate population, for example, dropped from about 3.3 million before the pandemic to 2.65 million by

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<sup>2</sup> “Pandemic leaves Gulf’s key foreign workers in limbo” (April 8, 2020), Bloomberg.

<sup>3</sup> Sebastian Castelier, “Expat flight to follow migrant exodus from Gulf” (May 28, 2020), *Asian Times*; and “Coronavirus: Experts warn of expat exodus in GCC, rest of the world” (June 2, 2020), *Zawya* (UAE).

<sup>4</sup> “Dubai suffered steepest population drop in Gulf region, S&P says” (March 1, 2021), Bloomberg.

the end of 2020.<sup>5</sup> In Oman, 205,000 expatriate workers in the private sector left the country between March 2020 and 2021.<sup>6</sup> And at least 129,000 and as many as 300,000 expatriates left Saudi Arabia in 2020.<sup>7</sup> The declining rents of most housing and office units in the region confirm the prevalence of excess supply over demand due to outflow outstripping inflow of expatriates.<sup>8</sup>

Accounting the pandemic damage, the World Bank projected a negative GDP growth of 4.1% for the GCC countries in 2020 and estimated a 2.2% growth in 2021. Qatar's GDP was expected to contract 3.5%, and Kuwait's 5.4%.<sup>9</sup> Fluctuations in international oil market also affected the energy sector, with the fiscal deficit of the GCC countries widening from 2.5% in 2019 to 10.3% of GDP in 2020.<sup>10</sup> This forced the GCC governments to adopt cost-cutting measures, thus creating further challenges for the expatriates.

Other layers of disruption include pressure to reform exploitative labor laws, which has led to easing of the terms of the *Kafala* or sponsorship system and increasing intra-GCC economic competition that includes tapping expatriate talent by offering sops that are clearly out of sync with past practices. Saudi Arabia, for example, announced in early 2021 that foreign firms need to move their regional headquarters to the kingdom by 2024 to retain government contracts. This encouraged the UAE to alter the existing 'social contract' rooted in the employment-for-residence visa by offering long-term residence options, some without employment, and even potential citizenship.

Using a combination of empirical data from secondary sources, laced with anecdotal evidence, this paper analyses how expatriates occupy both a crucial and complicated position in the region's scheme of development. It traces the different stages of reforms targeted at expatriates and delves into the governments' multifaceted attempts, hastened by Covid-19, to recognize the benefits associated with highly skilled and high net worth expatriates through the adoption of talent attraction and retention schemes tailored to attract remote workers, creative professionals, families of students, and entrepreneurs. The paper then evaluates these changes in relation to existing scholarly literature about migrants and expatriates, who are compared to the "Janissaries of the Ottoman Empire" and referred to as "semi-citizens", living in a state of "permanent impermanence", who are now being offered "conditional citizenship".

Further, it also highlights a contradiction – while the governments are using the economic disruption to change the rules of engagement in favor of expatriates, they are simultaneously accelerating workforce nationalization initiatives geared towards reducing the inflow of expatriates to increase jobs for nationals. While emphasizing that some of the new measures are akin to indirect taxes in an otherwise tax-free environment for expatriates, the paper seeks to answer questions revolving around the future of expatriates in the Gulf and how the governments are balancing the benefits accorded to expatriates – 'conditional inclusion' – with the needs and sensitivities of the citizens, who are the cornerstone of the legitimacy of the leaderships. It also highlights an interesting twist – how the pandemic hurt the employment opportunities of men more than women in the region, especially among nationals, partly at the expense of expatriate women. Finally, it explores the likely areas of policy mismatch in the nationals-expatriates dynamic and how they could be mitigated.

<sup>5</sup> "Kuwait expats drop from 3.3m to 2.65m" (November 20, 2020), *Gulf News* (UAE).

<sup>6</sup> "Oman says expat workforce fell by 200,000 in year to March" (June 2, 2021), Reuters.

<sup>7</sup> "129,000 expats exit; 74,000 Saudis join job market in 2020" (April 4, 2021), *Saudi Gazette*.

<sup>8</sup> "Buyers return but Dubai real estate faces long road to recovery" (March 15, 2021), Reuters.

<sup>9</sup> Lakshmi Priya, "Labour sector reforms in the GCC and challenges for Indian expatriates" (November 27, 2020), Manohar Parrikar Institute for Defence Studies and Analyses.

<sup>10</sup> "Covid-19 impact: GCC faces biggest economic challenge in history" (June 6, 2020), *Gulf News*.

## Radical Changes

In April 2021, the UAE adopted the Strategy for Talent Attraction and Retention, to position the country as a first-choice destination for living, working and investing – all crucial factors for future growth. The strategy has three main targets: one, positioning the UAE among the top 10 countries in the global talent competitiveness indices; two, ensuring talent availability across all strategic sectors’ and three, cementing the country’s image as an ideal destination for work-life balance.<sup>11</sup> The green shoots of this approach was evident in a 2017-2018 report, which stressed that the UAE “empowers Emiratis and attracts talent from around the world.” It, however, was more methodically operationalized due to the pandemic, along with increasing economic competition from Saudi Arabia. Together, they forced a recalibration of the rules of engagement between the government and expatriates in the region.<sup>12</sup>

The UAE overhauled its commercial company ownership laws in early 2021, cancelling the need for an Emirati shareholder for onshore companies and opening several sectors to foreign investors. This was done to boost the country’s competitive advantage and attract foreign investment. In significant changes to the 2015 commercial companies’ law, the new measures help reduce overhead costs, improve the ease of doing business for foreign investors and provide flexibility of operations for businesses operating in the country. This encourages foreign investors to now establish companies even outside free zones.<sup>13</sup>

Further, liberalizing its once-strict residency and tourist visa rules, the UAE introduced visas for foreign students at UAE universities and their families depending on their financial status and a remote work visa program (first in Dubai and then country-wide) to tap the ‘work from home’ pool of people in a post-Covid world. The visa, without a local sponsor, is being marketed as a chance for remote workers to benefit from the country’s state-of-the-art living standards and non-imposition of income tax. This drive is in line with the trend in countries like Antigua and Barbuda, Barbados, Bermuda, Estonia, Georgia and Mauritius. A multi-entry five-year tourist visa for all nationalities was also announced, which enables guests to remain in the country for 90 days on each visit and extendable for another 90 days.

These are a continuation of changes initiated in 2017 and 2018 by issuing medical treatment visas for foreign patients for 90 days, which could be renewed for another three months, and special one-year residency visas for citizens of countries suffering from wars and disasters, as well as permitting widows, divorced women, and their children to renew their residency visas without a sponsor for one year, renewable once.

Previously, two- and three-year visas were issued through companies that employed expatriates. But this practice changed first just ahead of the pandemic when a five-year post-retirement visa was introduced for those above 55 years and capable of investing in property worth approximately \$550,000, having savings of at least \$225,000 and an income of \$5,500 per month. This was followed by ‘gold visas’ for a period of five to 10 years, targeting investors and businesspeople for an investment of about \$2.7 million, 40% of which must be in property. Amid the pandemic, this was expanded to include PhD holders, doctors, engineers specialized in computers, electrical, electronics, programming, and biotechnology, as well as science students with a 3.8 GPA from approved universities. By the end of 2020, Dubai alone had issued 7,000

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<sup>11</sup> “Mohammed bin Rashid approves UAE Strategy for Talent Attraction and Retention” (April 14, 2021), Dubai Media Office.

<sup>12</sup> *2017-2018 Worker Welfare Report*, Ministry of Human Resources and Emiratization, UAE.

<sup>13</sup> “UAE revamps foreign ownership rules for commercial companies” (November 24, 2020), *The National* (UAE).

gold visas, benefitting more than 100 nationalities.<sup>14</sup> The UAE eventually plans to provide 100,000 gold visas to the best computer programming talent both in the UAE and across the world.

The boldest move in this chain of visa liberalization was in early 2021 in the form of offering citizenship to expatriates, albeit 'conditional'. Though the nominations for the citizenship could be made only by the rulers of the seven emirates that constitute the UAE and are restricted to special 'talent' categories like investors, scientists, doctors, engineers, artists and authors, and their families, the move was unfathomable just a few years ago.<sup>15</sup> Potential beneficiaries must also meet certain criteria to qualify, but recipients, upon naturalization, may not receive all the benefits that citizens are entitled to and are permitted to retain dual nationalities, which raises doubts about full integration into Emirati identity.

The UAE's new measures correspond to suggestions made by Sultan Al Qassemi in 2013. Pointing to the United States' success on immigrants, who were naturalized, he referred to a study which revealed that "more than 40% of the Fortune 500 firms were started by immigrants or children of immigrants, including seven of the 10 most valuable brands in the world". Linking this to the UAE, he said:

"The list of prominent UAE citizens who were foreign-born is a testament to the role that such individuals played in the formation of the country's success side by side with their Emirati born compatriots. This list includes diplomats, doctors, advisers to the rulers, businessmen and academics. However, there still isn't a systematic manner in which an individual can apply for UAE citizenship... A clear process of naturalization, no matter how demanding, will be welcomed."<sup>16</sup>

The UAE is not alone in seeking to retain and attract talented expatriates as a way of boosting competitiveness and economic growth in the Gulf. Between January and June 2021, about 225 expatriates received Omani citizenship. One of the conditions, however, is that the new citizens will not be able to spend more than six months outside the country at a stretch during the first 10 years after gaining citizenship.<sup>17</sup>

Saudi Arabia, the largest oil exporter in the world, which has initiated several measures to diversify its economy, granted citizenship to a select group of medical and technology professionals in December 2019, 73 wealthy expatriates were given 'premium' residency without local sponsorship in 2020 under a new program to attract overseas investments. While long-term visas are operational now, Riyadh is also considering a larger national strategy to facilitate non-Saudis to own real estate in the Kingdom.<sup>18</sup> Though difficult, Saudi Arabia offers a path to citizenship on paper. It stipulates that a resident must accumulate at least 23 qualifying points, along with other conditions such as knowledge of Arabic language. Residence in the kingdom for a decade gives an applicant 10 points, a BA degree earns five points, and a MA degree is worth eight, which facilitates filing of a citizenship application for the government's consideration. The

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<sup>14</sup> "7,000 Gold Card visas issued in Dubai" (November 22, 2020), *Gulf News*.

<sup>15</sup> Ashleigh Stewart, "Year-round sunshine, pool days and zero taxes: How to move to Dubai and work remotely for a year" (April 2, 2021), CNN; and "UAE citizenship, 5-year tourist visas: Full list of new options" (March 22, 2021), *Khaleej Times* (UAE).

<sup>16</sup> Sultan Sooud Al Qassemi, "Give expats an opportunity to earn UAE citizenship" (September 22, 2013), *Gulf News*.

<sup>17</sup> "Oman: 30 more expats get citizenship" (June 27, 2021), *Gulf News*.

<sup>18</sup> "New regulatory framework aims to encourage foreign ownership of real estate in Saudi Arabia" (April 15, 2021), Saudi-US Trade Group.

kingdom is actively considering granting citizenship to children born to Saudi mothers and non-Saudi fathers and even expatriate scholars.

Indicating intra-GCC economic competition, heightened by the pressure of the pandemic, Riyadh announced in February 2021 that foreign firms could secure government contracts only if they established their regional headquarters in Saudi Arabia by the start of 2024.<sup>19</sup> This is likely to challenge Dubai's preeminent status as the economic center of the region and could push other GCC members to take similar competitive steps to protect their interests.

To stem international criticism about poor working conditions and make the business environment more competitive, the Kingdom announced reforms to the decades old *Kafala* system of foreign workers' sponsorship that ties expatriates to their employers. The system has been compared to "modern day slavery" and also referred to as "a maze of exploitation."<sup>20</sup> As part of the Vision 2030's National Transformation Program, Riyadh unveiled the 'Improving the Contractual Relationship Initiative' in March 2021. This will enable expatriate workers greater job mobility without their sponsors' approval. One of the objectives of the initiative, the government said, is to raise the standards of the job market, which could attract greater foreign investments. With the changes likely to increase the cost of hiring foreign workers, the government hopes that the Saudization, or workforce nationalization process, would receive a shot in the arm.<sup>21</sup>

Bahrain also issued five-year multiple entry visas to certain citizens from the United Kingdom, the United States, Canada, and Ireland. As part of an economic incentive plan, Oman announced in March 2021 granting of long-term residency visas to foreign investors. Along with targeting diversification from the gas-rich economy, the FIFA 2022 World Cup and the pandemic-induced economic slowdown, Qatar declared that a \$200,000 property purchase provides residency for the term of ownership of property and a \$1 million purchase gives permanent residency, including free schooling and healthcare benefits.<sup>22</sup>

Other measures aimed at supporting the Covid-hit economies include widening taxation in a region famous for being a tax haven. Oman introduced a 5% value-added tax (VAT) in April 2021, which is expected to generate an additional revenue of \$1 billion. After all the six GCC countries agreed to introduce VAT in 2016 as a way of diversifying their sources of revenue beyond oil, Saudi Arabia and the UAE implemented the policy in 2018, followed by Bahrain in 2019. Hit by accentuated decline oil revenues during the pandemic, Saudi Arabia increased VAT to 15% in July 2020.

In a rare move that not only fundamentally alters the rules of engagement between the government and expatriates in the region, but also the welfare-oriented social contract between the government and the citizens, Oman announced in late 2020 plans to institute an income tax on all high-income individuals by 2022. A similar announcement was made in Kuwait in 2007 but is yet to be implemented.<sup>23</sup> Bahrain imposed a 1% levy in 2007 on some high income-earning expatriates and profitable companies to facilitate training and/or providing unemployment allowances to Bahrainis. Any income tax policy is not only reflective of the stressed economy, but when

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<sup>19</sup> Natasha Turak, "'Dramatic and risky' — and a shot at Dubai? Saudi Arabia issues bold business ultimatum to pull regional HQ offices into the kingdom" (February 17, 2021), CNBC.

<sup>20</sup> Pete Pattison, "Revealed: Qatar's World Cup 'slaves'" (September 25, 2013), *The Guardian* (UK); and "Unpaid and abandoned: the abuse of Mercury MENA workers" (September 26, 2018), Amnesty International.

<sup>21</sup> Eman Alhoussein, "Labour reforms in Saudi Arabia: Ambitious focus on foreign workers and unemployment" (March 17, 2021), Arab Gulf States Institute in Washington.

<sup>22</sup> "Qatar puts up 'for sale' sign with new property visas" (November 11, 2020), Agence France-Presse.

<sup>23</sup> "Kuwait wants to tax personal income" (September 2, 2007), Reuters.

implemented, the move could impact the country's political system that thrive on the 'no taxation without representation' principle.<sup>24</sup>

Bolstering the economic 'pull' factors are some radical social reforms that could help the region's economies in a post-Covid world. As a way of attracting and retaining foreign talent, the UAE liberalized several policies rooted in the Islamic traditions of Sharia such as decriminalizing cohabitation for unmarried couples and permitting all residents to consume alcohol without a license. While the latter was not a major obstacle in the past, the former did cause major public relations embarrassment with the international press particularly highlighting episodes of Britons being jailed for sexual relations outside wedlock.<sup>25</sup> The Islamic law also served as a deterrence for unmarried tourists. Further, to promote confidence among investors, the UAE's new rules revealed in late 2020 allows expatriates to apply divorce and inheritance laws from their home countries, instead of Sharia laws.

All these efforts reflect attempts by the Gulf governments to favorably change goalposts to make work and living conditions better for foreign workers, as well as deter expatriate workers from either returning home or shifting to other countries for work, which could further destabilize the economy. While labor market reforms have been an evolving phenomenon, the pandemic has hastened the economic reform process considerably.

### **'Permanent Impermanence' to 'Conditional Inclusion'**

The new changes, especially the citizenship offer, render an opportunity to scrutinize some existing academic narratives on the status of expatriates in the region.

Rooted in 'Conditional Migrant Integration Model', the study of the Asian expatriate workforce in the Gulf by Froilan Malit Jr, Jenny Morrison, and George Naufal stresses on a "migration ecosystem which illustrates a trend of states managing, regulating, and enforcing migrant integration policies to protect their national interests, while simultaneously capitalizing on the benefits of access to this human capital and the inter-connectedness it affords to the global economy".<sup>26</sup>

Referring to expatriates as "offshore citizens" with "conditional inclusion" where legal residency status falls just short of citizenship, Noora Lori suggests that such an arrangement is not unique to the Gulf countries.<sup>27</sup> She points out that about 60% of people with non-immigrant visas in the United States do not qualify for citizenship. Many other countries like Portugal, Malta, Antigua & Barbuda, Montenegro, St. Kitts, and even the United Kingdom, among others, offer such citizenship-via-investment options. The logic is that given the UAE's passport is ranked 15 in the world by the 2021 Passport Index, with visa-free entry to nearly 120 countries, many people would accept this conditional inclusion for the benefits that come with it.<sup>28</sup>

<sup>24</sup> Annelle Sheline, "Will Oman's new income tax be the start of a political sea change in the Gulf?" (December 4, 2020), *World Politics Review*.

<sup>25</sup> "British woman jailed in Dubai for having consensual sex after complaining ex-lover was harassing her" (July 22, 2017), *Independent* (UK).

<sup>26</sup> Frank Jacob, Jenny Morrison, and Adam Luedtke, *Conditional migrant integration in the United Arab Emirates: Consequences on Asian foreign workers' welfare* (2018), Vernon Press.

<sup>27</sup> Comments by Noora Lori in a webinar – "Reaching for the golden ticket: Long-term residency and citizenship schemes in the Gulf" – organized by the Arab Gulf States Institute in Washington (June 2021).

<sup>28</sup> "The world's most and least powerful passports in 2021: UAE moves up in global ranking" (April 13, 2021), *The National*.

In an interesting comparison, Omar Al Ubaydli refers to similarities between the Gulf white-collar worker visa system and the one employed to recruit elite infantry units – Janissaries – by the Ottoman Empire.

“Both systems provide the recruits with special privileges to secure their loyalties while hamstringing their abilities to forge their own independent power bases. Both agents have weak ties to the local population and find it difficult to carve out any influence or independence from their principal... (Gulf) businesses must learn to wean off the Kafala system that has created short-sighted dependency on elite migrant workers, much like the flawed Janissary model of governance.”<sup>29</sup>

Elizabeth Cohen refers to US non-immigrant visa holders as “semi-citizens” where semi-citizenship is “a means of advancing debates about individuals who hold some but not all elements of full democratic citizenship.” She also explores how states use duration or time spent in a country as a factor to define who qualifies or does not for citizenship.<sup>30</sup> Duration is also a factor in Syed Ali’s assessment. He opines that Gulf expatriates, surviving on short-term, renewable visas, live in a state of “permanent impermanence” with the lack of permanence serving as a form of social control.<sup>31</sup> Neha Vora argues that wealthy expatriates are “unofficial citizens”, who “do not claim equal rights, do not mix with the local population and, even though they may have children, they are not interested in obtaining citizenship.”<sup>32</sup>

As a correction, Al-Ubaydli used the economic fallout of Covid-19 as a compelling reason to recommend that the Gulf governments reform their “labor markets by creating a path to citizenship for highly-skilled migrant workers.” He suggests the Canadian “skilled worker points-based immigration” model as a potential template, “where a qualified candidate is first given an extended residency visa following which he or she is eligible for citizenship”.<sup>33</sup> This, he stressed, would foster a knowledge economy that is based on intellectual capital, and which is an important resource in post-Covid and post-oil economic visions such as Saudi Arabia’s Vision 2030.

While the physical make-up in several countries around the world today challenges the notion of nation-state – a state containing one as opposed to several nationalities – the Gulf countries are already unique. Even without citizenship, expatriates enjoy many benefits that the citizens enjoy and that without paying any income tax. A 2010 study reported that the UAE government spends an average of about \$3,800 per expatriate worker per year. However, an expatriate pays roughly \$680 in various fees to government departments, leaving a massive bill of approximately \$13.5 billion for the government to bear as subsidies, which could be considered an investment on expatriates, who help the state generate several times more in revenue.<sup>34</sup>

<sup>29</sup> Omar Al-Ubaydli, “The end of corporate Janissaries in the Gulf (Spring 2021),” *The Cairo Review of Global Affairs*.

<sup>30</sup> Elizabeth Cohen, *Semi-Citizenship in Democratic Politics* (2009), Cambridge University Press (CUP); and *The Political Value of Time: Citizenship, Duration and Democratic Justice* (2018), CUP.

<sup>31</sup> Syed Ali, *Dubai: Gilded Cage* (2010), Yale University Press.

<sup>32</sup> Neha Vora, “Business elites, unofficial citizenship, and privatized governance in Dubai” (2010), *Viewpoints: Migration and the Gulf*, The Middle East Institute, Washington DC.; and Alejandro Rodrigues, “Citizenship in the United Arab Emirates: A spectrum of categories” (December 15, 2019), *Routed*.

<sup>33</sup> “‘Offer citizenship to bright expats’: Omar Al Ubaydli” (December 14, 2020), *Zawya*.

<sup>34</sup> Mouawiya Al Awad, “The cost of foreign labor in the United Arab Emirates” (2010), Institute for Social and Economic Research, Zayed University (UAE).

According to Faisal Devji:

“(The) elimination of nationhood (in the UAE) as a basis for identity portends a global future. It is the closest thing to a community organized by capitalism...workers and management have recourse to a language beyond citizenship. It is not (just) the greater good of the nation, but the good of the individual and of humanity at large that is invoked here.”<sup>35</sup>

This unique socio-economic model was evident in one of my daily experiences in Dubai between 2007 and 2017. Within a radius of three kilometers from my apartment, I had at least half a dozen municipality parks that offered me options to play tennis, basketball facilities for my son and a walking track for my wife – all free of cost. After discussing and analyzing the reasons for such a move, it was evident that this was the Dubai government’s way of ensuring that the skilled and talented pool of expatriates do not leave the country if they were to get better job-salary offers elsewhere. These and other facilities influenced many expatriates, including me, to stay on in the UAE rather than take up more lucrative opportunities in the region.

### **Talent Retention and Nationalization – A Contradiction?**

An opinion poll in Kuwait found that one third of the 3.2 million expatriate residents intended to leave the country sooner than expected due to the fallout of Covid-19 and Kuwaitization policy.<sup>36</sup> This sentiment was encouraged by Kuwait seeking to convert the economic crisis into an opportunity. In an election year, the anti-expatriate rhetoric gave the workforce nationalization policy fresh impetus. While nearly 100,000 expatriates left Kuwait between April and June 2020, the government said the country’s expatriates should be reduced from 70% to 30% of the population. Since expatriates are about 3.4 million of the 4.8 million people living in Kuwait, the government said: “we have a future challenge to redress this imbalance.”<sup>37</sup>

Subsequently, a draft bill on reducing the number of foreign workers in Kuwait was considered constitutional by a parliamentary committee. The bill included plans to replace 100,000 expatriate government employees with citizens. It also proposed quotas for different nationalities. For example, a 15% ceiling for Indians as a proportion of the total population, would reduce their numbers by more than half from the existing 1.4 million.<sup>38</sup>

Likewise, Oman’s bid to curtail public spending meant that contracts would not be renewed for at least “70% of foreign experts and consultants working in all civil and government units”.<sup>39</sup> Private companies were also instructed to replace expatriate employees with nationals. About 35% of the Sultanate’s 4.6 million residents are expatriates, who account for 85% of the private sector workforce.<sup>40</sup> In a sign of growing social discontent rooted in economic slowdown, hundreds of Omanis took to the streets in May 2021 to protest high youth unemployment. The government placated the agitators by announcing plans to create 32,000 full and part-time

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<sup>35</sup> Faisal Devji, “Welcome to Dubai, the society that capitalism built” (February 5, 2007), *Financial Times*.

<sup>36</sup> “One-third of expats want to leave Kuwait” (May 20, 2021), Agence Presse-France.

<sup>37</sup> “Kuwait needs to cut expatriate population to 30 per cent, says prime minister” (June 4, 2020), Bloomberg.

<sup>38</sup> “Kuwait’s bill on workers rings alarm bells in India” (July 6, 2020), *Times of India*.

<sup>39</sup> “In latest spending cut, Oman not renewing majority of foreign consultant contracts” (May 20, 2020), *Al-Monitor* (US).

<sup>40</sup> Sebastian Castelier, “Omanis demand benefits from economic reforms” (June 9, 2021), *Al-Monitor*.

government jobs, with the Royal Army even beginning the recruitment process.<sup>41</sup> This was akin to the 2011 order by Muscat to create 50,000 jobs for citizens during Arab Spring protests. In another example of tweaking the workforce market in favor of nationals, the cost of hiring the former over the latter for executive positions will now incur an additional cost of about \$5,200 and \$2,600 for mid-level jobs.<sup>42</sup> Despite these efforts and Oman being among the more successful countries in the region's workforce nationalization drive, Omani employers remain reluctant to hire citizens.

About 10.5 million of 35 million are expatriates in a country that has proactively pursued a Saudization policy for the last few years. The second version of Nitaqat, the Saudi Ministry of Human Resources and Social Development's Saudization program, was launched in May 2021 with the intention of providing 340,000 jobs to nationals by 2024. Nitaqat's first version was launched in 2011 to encourage the localization of jobs and set a minimum wage for Saudis in the private sector.<sup>43</sup>

While the outflow of expatriates raised concerns from some people about brain drain, the unavailability of an affordable workforce, and the overall impact on an already distressed economy, others perceived it positively. Some nationalists had blamed expatriates for spreading the coronavirus and demanded their expulsion. One Saudi columnist called for "cleansing" the kingdom of excess expatriate workers.<sup>44</sup> In other justifications arguing that foreign workers leaving the Gulf countries would not lead to economic loss, it was pointed out that there would be less strain on public services and the flow of remittances would be curtailed, which would "help enhance domestic liquidity," especially since the outflow, which was \$120 billion in 2019, was expected to drop to about \$100 billion in 2020.<sup>45</sup>

While most expatriates viewed the citizenship offer as a milestone that will allow further economic and financial gains, a few questioned the amendments. Sheikha Jawaher Al Qasimi, the wife of the ruler of Sharjah in the UAE, pointed out that Emirati women don't have the right to pass on citizenship to their children as Emirati men do if they marry a non-Emirati until they turn 18 years old or have lived in the country for at least six years. "Naturalization of the children of female citizens. That's a demand," she tweeted. Taking the debate further she also stressed on effective nationalization of the workforce – "Employment for Emirati citizens. That's a demand."<sup>46</sup>

Another Emirati asked: "What does this mean for children of Emirati mothers and foreign fathers who want Emirati citizenship? And can I as an Emirati now legally have another citizenship?" because the UAE permitted dual citizenship after naturalization for expatriates. A few others opined that this was tantamount to "selling the country's birthright" and "granting foreigners the same rights as locals puts Emiratis' future at risk". In Saudi Arabia too, a recent decision to give citizenship to children of unknown parents triggered pushback.<sup>47</sup>

Thousands of people born to Emirati mothers and non-Emirati fathers have been granted UAE citizenship over the past few years, the government clarified. It added that family stability and social cohesion are of paramount importance to the leadership and the government is eager to

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<sup>41</sup> "Job seeking Omanis protest again; press cash-strapped government" (May 25, 2021), Reuters.

<sup>42</sup> "Oman increases cost of expatriate hires" (January 28, 2021), *Arab News* (Saudi Arabia).

<sup>43</sup> "Saudization programme Nitaqat gets overhaul with launch of 2nd version" (May 24, 2021), *Arab News*.

<sup>44</sup> "Trapped illegal workers in Saudi see pandemic as only escape route" (July 8, 2020), Agence France-Presse.

<sup>45</sup> Mohammed Al Asoomi, "Foreign workers leaving Gulf countries will not lead to economic drain" (July 1, 2020), *Gulf News*.

<sup>46</sup> "UAE's new foreign citizenship plan triggers rare rights debate" (February 2, 2021), Bloomberg.

<sup>47</sup> Ibid.

assimilate individuals born to Emirati mothers and foreign fathers and ensure that they are part of the country's progress.

### **Progressive or Regressive**

While the new policies are progressive from the perspective of expatriates, they are regressive in the backdrop of past tensions associated with the expatriates-nationals dynamic. Soon after the French immigrants' riots in 2005, for example, a Bahraini minister warned of an "Asian tsunami", which represents "a danger worse than the atomic bomb or an Israeli attack".<sup>48</sup> In addition, some warned that the GCC countries stood the chance of losing their identity if they failed to improve their local population ratios and address the tradition-progress paradox.

"The increasingly high presence of expatriates ... are deeply affecting the characteristics and cultures of the local population and threatening their national identities... We may soon see a Gulf minister or member of parliament from the Indian subcontinent. In Singapore and the Maldives, foreign workers had been brought on temporary contracts. They are now ruling these countries... Whoever thinks this foreign manpower in the region comes for a project and leaves on its completion is wrong. They come to stay. They buy and sell in their market created on our lands... This way countries were lost and we, in the Gulf, are facing the same threat. If this is not happening now, it will happen in the next generation."<sup>49</sup>

As a result, the Gulf governments diversified their manpower source to avoid dependence on specific countries and address demographic imbalance as well. Saudi Arabia, for example, issued a directive that workers from a single country could not account for no more than 10% of the workforce. As part of its "cultural diversity policy," the UAE announced that it will scrutinize visa applications of Asian workers to streamline their growing numbers in the country.

In addition to the cultural and national identity threat perception, the overwhelming presence of expatriates was also perceived as a national security issue amid international calls to grant rights to expatriates that were otherwise restricted to nationals. The GCC governments were particularly worried about demands made by the United States during negotiations revolving around free trade agreements (FTAs). They particularly opposed US demands for giving American expatriates salaries equal to nationals and permanent settlement rights and creation of trade unions, among others. Washington also insisted that Americans be treated on par with Emiratis in terms of ownership of business and property.<sup>50</sup> Adding pressure, Human Rights Watch (HRW) urged Western governments to insist on improvement in labor practices and legal standards before signing FTAs.

Ironically, while the current economic slowdown is changing the rules of engagement in favor of expatriates, the economic crisis of the past hurt their economic fortunes, while helping the GCC governments levy indirect taxes. Since 2002, health services, including consultation, medicines, hospitalization, and surgeries – which were otherwise free for expatriates in government hospitals – are now provided for a substantial fee in the UAE. In addition, electricity,

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<sup>48</sup> "Arabs are lazy, Asian tsunami - Arab minister" (January 27, 2008), Agence France-Presse.

<sup>49</sup> "Worker influx poses threat in GCC" (February 3, 2010), *Gulf News*.

<sup>50</sup> Ahmad Humaid Al-Tayer, "GCC should talk to US on free trade" (December 8, 2004), *Gulf News*.

water, sewage, and municipality charges have either been introduced or increased to generate additional sources of revenue.

Notwithstanding the need and attempt to regulate the inflow of expatriates, the GCC governments also realized, however, that expatriates are a major component of the economic fortunes. As a result, they adopted a two-pronged approach – creating sustainable opportunities for nationals, as well as guarding and enhancing the rights of expatriates.

### **Win for Some Women, Loss for Others**

In an interesting twist, the pandemic hurt the employment opportunities of men more than women in the region, especially among nationals. In fact, Saudi and Bahraini women citizens were more successful in retaining their jobs during the pandemic compared to Western countries. This was partly due to expatriate women workers losing out in favor of national women. The rate of unemployment among Saudi men increased from 6% to 8.1% during the second quarter of 2020 compared to the same period in 2019, while the rate of unemployment among women just rose from 31.1% to 31.2%. In Bahrain too, the pandemic forced 4.6% of employed men out of jobs compared to 3.6% employed women losing jobs. On the contrary, women's unemployment in the United States rose by 13% compared to 10% among men during the period February-April 2020.<sup>51</sup>

This is because unlike American women, Saudi and Bahraini women “are not overrepresented in face-to-face contact sectors; instead, they are overrepresented in the white-collar jobs of the public sector, where redundancy is virtually impossible, and where the work itself is highly suitable for remote delivery.” This indirectly hurt expatriate women who are overrepresented in face-to-face jobs. Another reason for Gulf women faring better than their Western counterparts is also linked to expatriate women – “... while many of the cultural stereotypes regarding women doing household chores and providing childcare are present (and arguably accentuated) in the Gulf countries, their impact is reduced by the ability to hire expatriate domestic helpers for low wages.”<sup>52</sup>

### **Conclusion**

More than 275 million people lived in countries outside their own and about 1.5 billion people traveled overseas in 2019. The pandemic hurt this mobility to no end, triggering a “global war for talent” where succeeding means “countries’ efforts to ease their labor regulations will be vital.”<sup>53</sup>

From time to time, Gulf academics and officials have highlighted the perception that the region's identity is facing a serious threat from the presence of expatriates. Such perceptions are debatable. Expatriates have been more stabilizing than destabilizing agents. It is inappropriate to treat expats as a threat (economic or cultural) until they reside in the country under the legal sanction of the government. If the expatriates continue to stay in the country illegally or insist on staying after they have been asked to leave due to a policy change, they pose a challenge. If expatriates continue to occupy jobs that could well be, and readily, done by nationals, they pose a threat. Not otherwise.

Though the rules of engagement have constantly changed for expatriates, economic factors will determine their inflow, continuation, and outflow. This makes it imperative for governments

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<sup>51</sup> Omar Al-Ubaydli, “Coronavirus: How the Gulf economy has allowed women to keep their jobs” (October 14, 2020), [www.alarabia.net](http://www.alarabia.net).

<sup>52</sup> Ibid.

<sup>53</sup> “‘A great war for talent’ awaits post-COVID world: Parag Khanna” (December 8, 2020), Nikkei Asia (Japan).

to take proactive, not reactive, measures to address ‘threat’ perceptions. Expatriates have not voluntarily demanded any concessions. The expatriate-friendly concessions that have been rolled out are driven by the governments to promote national interests.

Since the turn of the century, there have been at least three major stages of transformation that have positively impacted the status of expatriates in the Gulf. The first was instituting a series of labor reforms pertaining to blue-collar workers, which enabled setting up of special courts to resolve worker-employer disputes, increasing inspections of working-living places, introducing electronic payment systems, and necessitating mandatory health insurance.<sup>54</sup> The Gulf Forum on Temporary Contractual Labour in 2007 brought the International Labour Organization and International Organization for Migration together with the ministers from workforce sending and receiving countries, representatives of civil society organizations and labor and employers’ organizations to address some of the prevalent problems.

In the second phase, expatriates were made stakeholders in the region’s growth. To limit the wealth that expatriates remitted to their home countries and instead absorb it in the local economies, several GCC countries, starting with the UAE, allowed foreigners to invest in the stock markets and buy real estate properties. This altered the edifice of the relationship between the expatriates and the governments because the fruits of engagement became more mutually beneficial.

The pandemic-induced changes herald the third stage in the evolutionary process of Gulf expatriates’ improving status even though they target the white-collar category. The need to achieve a healthy balance between the alignment of citizens and expatriates is important not just because the number of non-nationals is already overwhelming, but also because their numbers are sure to increase when the economies of the region overcome the Covid-induced slowdown. After a high of about 6% in 2007, the GCC’s average population growth declined to about 2.3% during the 2015-2019 period due to drop in oil prices after 2014. The pandemic has negatively impacted the region’s population of nearly 58 million.<sup>55</sup> It is estimated that the proportion of foreigners in the region will continue to decline through 2023 compared to nationals because of the pandemic-induced economic slowdown and workforce nationalization policies. However, realizing that the GCC countries’ economic plans are entwined with expatriates, the governments are likely to continue investing in human capital of the national population and improvements in the benefits and overall status of expatriates.

Singapore’s former prime minister Lee Kuan Yew’s analogy is appropriate here.

“The Gulf countries and Singapore are like “Christmas trees,” but with a difference. In Singapore, the main tree is made up of nationals, with expatriates forming the decorations. If the decorations are removed, the tree stands by itself. In the Gulf, it is the reverse – the main tree is made up of expatriates, with nationals forming the decorations. The decorations cannot keep the tree rooted in the ground if the main branches are removed. So, the Gulf countries must think of long-term alternatives.”<sup>56</sup>

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<sup>54</sup> “Labour unrest hampers Burj Dubai work” (March 22, 2006), *Khaleej Times*; and “Workers’ accommodations to follow global standards” (June 8, 2009), *Gulf News*.

<sup>55</sup> Zahabia Gupta, “Expat exodus adds to Gulf region’s economic diversification challenges” (February 15, 2021), SP Global.

<sup>56</sup> Author’s personal recollection of Prime Minister Yew’s address to an Arab-Asian Youth Forum in Singapore in 2007.

While the new expatriate-friendly strategies are welcome, the Gulf governments could also consider incubating a more evolutionary naturalization program wherein ‘children of expatriate children born in the UAE’ receive conditional citizenship. This serves as a cushion against adverse social reaction on the ground. Second, it would be useful to proactively engage in reforming the education sector by promoting economic diversification in consonance with a dynamic knowledge economy, where the academic models are in tune with the practical requirements of the job market. Three, while a lot has been achieved in the 50 years of the region’s modern era, there is plenty of potential to tap into in the women’s economic empowerment arena. The participation of women aged 15 and above in the economic domain was about 30% in Oman and Saudi Arabia in 2020, compared to 50% in other high-income countries in the world.<sup>57</sup> Since Gulf women’s enrollment in higher education exceeds that of men, there are plethora of opportunities waiting in the wings to benefit both national and expatriate women.

These reforms are crucial to continue the march of “*Khaleeji* (Gulf) capitalism”<sup>58</sup> – growth in large corporate entities and sovereign wealth funds in the Gulf that are now regional leaders in non-oil sectors – in a post-Covid world.

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<sup>57</sup> Ibid., SP Global.

<sup>58</sup> Concept owned by Adam Hanieh, author of *Money, Markets, and Monarchies: The Gulf Cooperation Council and the Political Economy of the Contemporary Middle East* (2018), Cambridge University Press.

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