



Systems Thinking and UAE's Economic Diplomacy

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Summary

- The core message of this Insight revolves around the need for economic diplomacy, specifically in the context of the UAE, to move beyond traditional, linear approaches and fully embrace a systems perspective to address the complexities of the modern world.
- Adopting complex adaptive systems thinking can provide a structured approach to navigating the increasingly interconnected and volatile global landscape in which economic diplomacy operates today by emphasising collaboration and adaptive strategies.
- The analysis highlights two major challenges arising from that complexity: ‘polycrisis’ and ‘wicked policy problems’. Polycrisis refers to the dangerous entanglement of multiple crises, requiring a holistic response rather than individual solutions. Wicked problems are intractable issues with no definitive solutions, requiring adaptive and iterative approaches rather than attempts at their complete eradication.
- This Insight uses examples from the UAE’s current practices to illustrate the relevance and potential benefits of this framework. Specific challenges for the UAE, such as energy transition, food security, and geopolitical tensions, are presented as examples of polycrisis and wicked problems.
- The research demonstrates that the UAE’s existing economic diplomacy strategies already contain elements of systems thinking and are pragmatic, but indicates that a conscious and full-fledged adoption of this framework can enhance their effectiveness. Hence, the document outlines specific recommendations for how the UAE can further integrate systems thinking into its economic diplomacy strategy, including:
 - Identifying priority wicked policy problems of importance to the UAE and developing appropriate practices to address them.
 - Identifying likely polycrisis scenarios (using scenario building and strategic foresight tools) and developing appropriate anticipatory governance strategies.
 - Using complexity economics thinking where appropriate and comparing with existing neoclassical economic thinking and assumptions to see where changes might need to be made in policy.
 - Developing appropriate short- and long-term courses, workshops, seminars or webinars for current and future diplomats that address issues such as systems thinking for economic diplomacy, complexity economics, complex adaptive systems thinking, wicked economic diplomacy problems, and polycrisis of potential relevance to the country.

Introduction

The recent economic priorities and concerns of the UAE regarding its economic diplomacy are well documented in the UAE Economic Diplomacy Report 2024¹. The slow global growth scenario is positioned against better growth perspectives in emerging markets and developing economies, in the Middle East and North Africa (MENA) and in the UAE. This is complemented by trends in trading patterns in both merchandise and services and in foreign direct investments (FDI). Recognising that economic dependence on a single commodity like oil has inherent risks, the UAE has been developing an economic diversification strategy which involves seeking opportunities in non-oil and knowledge-based economic activities while focusing on sustainable development.

One way of defining economic diplomacy is as 'utilisation of government resources to foster the expansion of a nation's economy through activities such as enhancing trade and expanding market access, attracting investments, and engaging in collaborative efforts to negotiate bilateral and multilateral trade agreements'.² An alternative dimension is the use of economic power, including granting foreign aid and imposing economic sanctions, to advance foreign policy objectives.

The UAE's economic diplomacy utilises six main tools (pillars). These are:

1. diplomatic representation in countries and multilateral bodies;
2. investment support entities;
3. bilateral and multilateral trade agreements;
4. foreign aid;
5. sovereign wealth funds and overseas investments; and
6. membership in international organisations³.

The definitions and conceptual UAE approach to economic diplomacy are comprehensive and well thought through as briefly summarised above. The UAE economy by all available economic metrics is doing well.

So, how can this Insight add value?

This Insight seeks to contribute to the research and practice of economic diplomacy in the UAE and elsewhere. It does so by considering some recent thinking and explorations at various global fora such as the International Monetary Fund (IMF), World Bank, United Nations, and World Economic Forum addressing current public policy challenges and to some extent economic diplomacy issues. These areas include complex adaptive systems thinking, which provides a framework for understanding the real-world manifestations of the polycrisis and wicked policy problems – two concepts explained in detail in the Insight. The analysis is then applied to concrete and emerging challenges and opportunities with which UAE economic diplomacy has already engaged or will have to engage very soon.

Amidst the increasing complexity in the world that is driving both the polycrisis and wicked policy problems, we can find new and exciting opportunities if we look through the right lens and use appropriate tools. The premise is that the Insight will be useful to those engaged with UAE economic diplomacy in any or all of the six pillars mentioned earlier. The specific objective of the Insight is to provide an accessible introduction to the nature of 'complexity economics' and use this to develop an understanding of wicked policy problems and polycrisis for the practice of economic diplomacy.

Complexity in the World and its Relevance

The reality of today's world is that it is much more globalised than ever before. While this is well-known, the implications for economic diplomacy are not always well understood. A more globalised world means people are much more

connected to each other and to information and events instantaneously. Money and information flows are easy and rapid across the globe, and so is trade in both goods and services. At the same time, the technology revolution is speeding up at a dizzying rate with the ubiquity of AI and its applications affecting our lives, both personal and professional.

The consequence of the multiplicity and density of these inter-relationships is that a small change in one place can quickly cause a significant impact elsewhere. Change is rapid and constant, leading to a system which is dynamic and adaptive. Such systems are called complex adaptive systems. These systems, which are constantly evolving and adapting, are very common in everyday life and include flocks of birds, ant colonies, our bodies, economic systems, social systems, and ecosystems. They are different from complicated physical systems that do not constantly adapt or evolve such as sending a rocket to the moon or building the Burj Khalifa. Therefore, the first important point to remember is that 'complex' does not imply 'complicated' as in standard English usage.

The importance and relevance of understanding these systems, which include economic systems and hence the practice area of economic diplomacy, lies in their ability to help us to expect, understand, and better deal with economic uncertainty, sudden collapses, the appearance of new unplanned opportunities, unpredictability, and surprise elements. When systems get interconnected, crises happening in one system get entangled with crises in other systems, and the impact that countries, organisations and individual feel is the result of the entangling of these crises, also called a polycrisis. Examples of polycrisis are provided in the following section.

Similarly, wicked problems are named as such because attempts to address a problem in one part of the system can create a problem elsewhere in the system. As a result, wicked policy problems in social and economic systems like economic inequality, social exclusion, poverty, etc., are intransigent and do not have solutions. At best, they could be alleviated to some degree. The tendency to increase control in the face of complexity usually ends in failure as the dynamism and creativity of the systems could be suppressed. Embracing complexity, observing patterns, maintaining flexibility and using an adaptive approach will more often than not lead to win-win outcomes. In the following sections we will go a bit deeper into polycrisis and wicked policy problems and understand what this means for economic diplomacy.

Polycrisis

A global polycrisis is the causal entanglement of crises in multiple global systems in ways that significantly degrade humanity's prospects. The causal interactions between constituent crises are significant enough to produce emergent harms that are different from, and usually greater than, the sum of the harms they would produce separately. Consequently, these crises must be addressed not individually, but as a whole. Examples include climate change and mass extinction, the economic and existential threats and opportunities of AI, the chilling rise of far-right populism, multiple conflicts, the destructive exploitation of remaining natural resources, and the massive use of debt and speculation to expand energy production and maintain economic growth.

Polycrisis occurs when acute and fast moving trigger events like political uprisings, price spikes in critical goods and services, major corporate bankruptcies, and the loss of keystone species in specific ecosystems intersect with slow-moving longer-term stresses in these systems. These include growing socioeconomic inequalities, increasing resource scarcities, economic overleveraging, global warming, and ecological degradation.

A classic recent illustration of the polycrisis occurred when the ongoing climate change crisis intersected with the COVID-19 pandemic and then the Russian invasion of Ukraine – three separate crises that got entangled through the global interlinked systems resulting in massive supply chains' disruption and skyrocketing prices of food and other essential commodities. The Russia-Ukraine war reminded us that geopolitics is as important global change agent as climate, pandemics, the financial/economic system, or the technological transformation.

‘Polycrisis’ was the word of the year in the Collins Dictionary in 2022. The World Economic Forum declared 2023 to be the ‘the year of the polycrisis,’ with Klaus Schwab stating that “economic, environmental, social, and geopolitical crises are converging and conflating, creating an extremely versatile and uncertain future”⁴.

The term ‘polycrisis’ was used by European Commission President Jean-Claude Juncker (2016)⁵ to refer to the confluence of multiple, mutually reinforcing challenges facing the EU, from ‘the worst economic, financial and social crisis since World War II’ to ‘the security threats in our neighbourhood and at home, to the refugee crisis, and to the UK referendum’, that ‘feed each other, creating a sense of doubt and uncertainty in the minds of our people.’

In the donor community, the Omega Resilience Funders Network (ORFN) has explicitly adopted the polycrisis concept to frame its philanthropic interests. It describes polycrisis on its website as “the sum total of all stressors affecting planetary health,” distinguishing between “biosphere stressors” (the climate crisis, biodiversity loss, ocean acidification), “societal stressors” (poverty, supply chain vulnerabilities, war), and “technological stressors” (automation and AI, cyber threats, data threats to democracy)⁶. ORFN also characterises the polycrisis as unprecedented, suggesting that it is not simply the aggregation of discrete stressors at any given time but a novel phenomenon emerging from the stressors’ convergence and interaction.⁷

A group of well-respected academics recently described what they termed as ‘synchronous failure’ or ‘emerging causal architecture of global crisis’.⁸ They argue that recent global crises reveal an emerging pattern of causation that could increasingly characterise the birth and progress of future global crises. They describe a conceptual framework which identifies the pattern’s deep causes, intermediate processes, and ultimate outcomes. The framework shows how multiple stresses can interact within a single socio-ecological system to cause a shift in that system’s behaviour, how simultaneous shifts of this kind in several largely discrete social-ecological systems can interact to cause a far larger inter-systemic crisis, and how this larger crisis can then rapidly propagate across multiple system boundaries on a global scale.

They conclude that only enormous inputs of inexpensive high-quality energy can create and sustain the unprecedented connectivity and complexity of human civilisation, including the connectivity among this civilisation’s diverse components. They recommend that researchers closely investigate the complex, dense and evolving causal links among humanity’s energy, food, water, climate, and financial systems, along with the implications of these links for long-term human well-being, observing that although research programmes have explored the relationships between specific pairs of these systems, for instance, the water-food, energy-finance, energy-climate, and climate-food relationships, no research programme has explicated the joint and coevolving behaviour of all five systems together, especially not in light of the biosphere’s capacity to sustain these systems.

Implications of Polycrisis for Economic Diplomacy

In this section, we first examine some general examples of the potential implications of the polycrisis for economic diplomacy as it seeks strategic adaptation to manage multiple crises while advancing long-term economic interests and stability. In the next section, we will consider some specific examples of what these might mean for the UAE. Some general implications are:

- **Resource Allocation and Prioritisation:** Governments and international organisations may face challenges in allocating resources and attention across multiple crises. Economic diplomacy efforts that would normally focus on trade agreements, investment promotion or economic cooperation may be diverted to crisis management and mitigation, reducing their effectiveness.
- **Uncertainty and Risk:** Polycrisis increases uncertainty in global markets and economic conditions. This uncertainty can deter foreign investment, disrupt supply chains, and lead to volatile financial markets. Economic diplomacy must navigate heightened risk perceptions and work to restore confidence and stability.

- **Coordination and Cooperation:** In the face of multiple crises, effective economic diplomacy requires enhanced coordination and cooperation among countries and international organisations. This includes collaborating on economic stimulus packages, trade facilitation measures, and joint efforts to address common challenges such as health emergencies or climate change impacts.
- **Policy Adaptation:** Economic diplomacy strategies often need to adapt rapidly to changing circumstances during polycrisis. Governments may implement new trade policies, fiscal measures or regulatory changes to respond to economic downturns or market disruptions caused by other crises.
- **Geopolitical Dynamics:** Polycrisis can alter geopolitical dynamics, affecting alliances, rivalries, and regional stability. Economic diplomacy may need to navigate shifting geopolitical landscapes and geopolitical tensions exacerbated by crises, influencing trade relationships and economic partnerships.
- **Long-term Economic Recovery:** Effective economic diplomacy during polycrisis should also focus on laying the groundwork for long-term economic recovery and resilience. This may involve promoting sustainable development, fostering innovation and technology transfer, and addressing structural economic challenges that crises can exacerbate.

Examples of Emerging Polycrisis and UAE Economic Diplomacy

The UAE, as a hub for global trade, energy and finance, must navigate intersecting global challenges to maintain its economic and diplomatic standing. As discussed in the introduction, the 6 interacting pillars of UAE economic diplomacy reflect its proactive approach to leveraging its strategic location, financial resources, and innovative policies to maintain its economic prosperity while contributing to regional development. Its ability to maintain balance between traditional industries (like oil and trade) and emerging ones (like renewables and AI) must help it remain resilient in a volatile, global polycrisis environment. Some concrete examples of possible challenges and strategies to overcome them are provided below.

1. Energy Transition amid Geopolitical Shifts

- **Challenge:** The global shift to renewable energy is accelerating, while geopolitical tensions (e.g., the Russia-Ukraine War) complicate energy markets. As a leading oil producer, the UAE faces pressure to diversify its economy while maintaining its status as an energy superpower.
- **Economic Diplomacy Example:** The UAE has spearheaded initiatives like the COP28 presidency in 2023 to position itself as a leader in the renewable energy transition. Through entities like Masdar (a renewable energy company) and the Abu Dhabi Sustainability Week, the UAE leverages diplomacy to attract foreign investment in green energy projects, securing a dual role as both a fossil fuel exporter and a champion of clean energy.

2. Food Security and Climate Challenges

- **Challenge:** Climate change exacerbates food insecurity worldwide, particularly in regions like the Middle East. The UAE, heavily reliant on food imports, is vulnerable to disruptions in global supply chains caused by climate shocks, wars, or pandemics.
- **Economic Diplomacy Example:** The UAE has actively invested in food security diplomacy, such as through partnerships with countries like India, Egypt, and Kazakhstan to secure agricultural investments and supply chains. The establishment of the Food Tech Valley in Dubai is another example of the UAE's diplomatic efforts to position itself as a leader in agri-tech innovation and resilience.

3. Technology and Digital Economy Competition

- **Challenge:** The convergence of crises, including cybersecurity risks and global tech competition, forces countries to develop robust digital infrastructure. The UAE's ambition to become a digital economy hub faces challenges from geopolitical tech rivalries (e.g., U.S.-China competition) and regional instability.
- **Economic Diplomacy Example:** The UAE uses bilateral and multilateral forums to attract tech giants, foster innovation, and protect its cybersecurity infrastructure. For instance, its collaboration within the Abraham Accords has led to partnerships in AI, fintech, and cybersecurity. Additionally, the Dubai Future Foundation and the UAE Artificial Intelligence Strategy 2031 showcase how the UAE diplomatically positions itself as a regional tech hub.

4. Supply Chain Resilience Post-COVID

- **Challenge:** The COVID-19 pandemic highlighted vulnerabilities in global supply chains, which polycrises like geopolitical conflicts and trade wars strain further. As a logistics and trade hub, the UAE must ensure resilient supply chain linkages.
- **Economic Diplomacy Example:** The UAE has strengthened its position as a critical logistics player through initiatives such as the Etihad Rail Network and the expansion of Jebel Ali Port. It also engages in partnerships with key players in Asia, Africa, and Europe to maintain robust trade corridors and deepen its economic ties with emerging markets.

5. Geopolitical Alliances in a Fragmented World

- **Challenge:** Rising protectionism and fragmented global governance complicate multilateral diplomacy. The UAE, as a small but influential player, must navigate this landscape to secure its interests.
- **Economic Diplomacy Example:** The UAE's active engagement in multilateral organisations such as the Gulf Cooperation Council (GCC) and its strategic comprehensive economic partnership agreements (CEPAs) with India, Indonesia, Israel, Turkey, Cambodia and Georgia reflect its diplomatic focus on diversifying alliances. The UAE's pivot toward the BRICS, which it joined in 2024, also reflects its strategy to hedge its bets in a multipolar world order.

6. Water Security in the Middle East

- **Challenge:** Water scarcity is a critical issue in the Gulf region, compounded by climate change and population growth. This crisis intersects with economic and security concerns.
- **Economic Diplomacy Example:** The UAE has invested heavily in desalination technology and water reuse projects, but it also engages diplomatically by funding water projects in neighbouring countries and forging partnerships with global leaders in water technologies. Such initiatives enhance its soft power and secure regional stability.

Wicked and Super Wicked Problems

'Wicked problems' were defined by Rittel and Webber⁹ in 1973 as problems that have many causes and sources, as well as imprecise ways of addressing them, and are tameable but ultimately unsolvable. Conventional policy processes not only fail to address wicked problems effectively but may also exacerbate them. Wicked policy problems pose significant challenges in the Anthropocene, where human actions have profound negative impacts on ecosystems including species extinction, climate change effects, soil loss, deforestation etc., and where the three spheres of sustainability (society, ecology and economy) interact in search of dynamic equilibrium. Super-wicked problems are wicked problems compounded by time exigencies and by people responsible for creating the problem being the least motivated to solve it, an example being climate change. As described by Rittel and Webber, wicked problems have ten important characteristics:

- 1) They do not have a definitive formulation.
- 2) They do not have a 'stopping rule.' In other words, these problems lack an inherent logic that signals when they are solved.
- 3) Their solutions are not true or false; they are only good or bad.
- 4) There is no way to test the solution to a wicked problem.
- 5) They cannot be studied through trial and error. Their solutions are irreversible so, as Rittel and Webber put it, 'every trial counts'.
- 6) There is no end to the number of solutions or approaches to a wicked problem.
- 7) All wicked problems are essentially unique.
- 8) Wicked problems can always be described as a symptom of other problems.
- 9) The way a wicked problem is described determines its possible solutions.
- 10) Planners have no right to be wrong. Unlike mathematicians, "planners are liable for the consequences of the solutions they generate; the effects can matter a great deal to the people who are touched by those actions."¹⁰

Most social, economic and political problems are typically wicked problems imbued with various complexities of their own internal logic but also arising from their interactions with the real world where change is the proverbial sole constant. Social science disciplines like economics have traditionally dealt with these complexities by assuming them away so that their elegant mathematics can work. Economic diplomacy deals with real world issues but often relies on the traditional purified academic disciplinary approaches.

An awareness of these issues and their limitations is the first step to helping economic diplomacy move closer to that reality. The next step is the use of complexity tools to enhance the economic diplomat's navigation prowess in their everyday work. Without appropriate tools and insights, we will either deny the presence of complexity and associated wickedness or assume them away so that our existing tools might work. This approach keeps hidden a whole new world of possibilities for innovation and change, hence the importance of recognising these phenomena and becoming familiar with their potentiality and how to explore them.

Wicked Problems in Economic Diplomacy

Wicked problems in economic diplomacy are complex, multifaceted challenges that defy simple solutions due to their interconnected nature, multiple stakeholders, and varying perspectives. Examples of wicked problems in economic diplomacy include:

- **Trade Imbalances and Protectionism:** Addressing trade imbalances between countries involves navigating economic policies, currency exchange rates, and trade agreements. Protectionist measures such as tariffs and subsidies further complicate efforts to achieve balanced and fair international trade.
- **Climate Change and Sustainability:** Negotiating global agreements on climate change and sustainable development involves balancing economic growth with environmental conservation. This includes addressing carbon emissions, energy policies, and sustainable practices across industries while considering differing levels of economic development among nations and the implications on jobs and inequalities.
- **Global Financial Stability:** Maintaining stability in the global financial system requires coordination among central banks, financial regulators, and international financial institutions. Economic diplomacy is crucial in mitigating financial crises, managing capital flows, and addressing systemic risks.

- **Intellectual Property Rights (IPR) and Innovation:** Negotiating IPR protections and regulations impacts innovation, technology transfer, and access to essential medicines and technologies. Balancing the interests of developed countries, which often hold more patents, with those of developing countries seeking access to knowledge and technology, presents a complex challenge.
- **Labour Rights and Fair-Trade Practices:** Ensuring fair labour standards and promoting ethical trade practices across borders involves addressing issues such as child labour, worker exploitation, and fair wages. Economic diplomacy plays a role in negotiating international labour standards and enforcing compliance with trade agreements.
- **Digital Economy and Cybersecurity:** The rapid growth of the digital economy presents challenges related to data privacy, cybersecurity, and cross-border digital trade regulations. Economic diplomacy is essential in fostering international cooperation on digital governance while promoting innovation and protecting national security interests.
- **Geopolitical Conflicts and Economic Sanctions:** Managing geopolitical tensions and economic sanctions between countries requires diplomatic efforts to de-escalate conflicts, mitigate economic impacts on innocent populations, and facilitate dialogue for peaceful resolutions.
- **Income Inequality and Poverty Reduction:** Addressing income inequality within and among nations involves promoting inclusive economic growth and access to education and healthcare, as well as reducing barriers to economic opportunities. Economic diplomacy can support policies that promote social equity and sustainable development.
- **Food Security and Agricultural Trade:** Ensuring global food security while promoting fair and sustainable agricultural trade involves navigating issues such as food production and distribution, trade barriers, subsidies, and environmental impacts.
- **Infrastructure Development and Investment:** Facilitating infrastructure development in developing countries requires attracting foreign investment, managing debt sustainability, and ensuring that projects benefit local communities without compromising environmental and social standards.¹¹

Dealing with Wicked Problems in Economic Diplomacy

- Insights from the concept of wicked problems can significantly aid economic diplomacy, which often involves navigating complex, multifaceted challenges that defy straightforward solutions. Below are insights derived from analytical thinking about wicked problems:
- **Recognising Complexity and Interconnectedness:** Wicked problems are characterised by their complexity, interconnectedness, and the involvement of multiple stakeholders with diverse interests. Similarly, economic diplomacy involves navigating intricate webs of economic, political, social, and cultural factors. Recognizing this complexity helps diplomats avoid simplistic solutions and encourages a more holistic approach to problem-solving.
- **Appreciating Diverse Perspectives:** Wicked problems typically involve stakeholders with diverse perspectives and values. In economic diplomacy, understanding and appreciating the different priorities and interests of various countries is crucial. Insights from dealing with wicked problems emphasize the importance of engaging in dialogue, negotiation, and compromise to find solutions that accommodate diverse viewpoints.
- **Emphasising Adaptive and Iterative Approaches:** Wicked problems often require adaptive and iterative approaches because solutions may need to evolve over time as new information emerges or as circumstances change. Similarly, economic diplomacy benefits from flexible strategies that can adjust to shifting geopolitical dynamics, economic conditions, and international relations. Diplomats can draw on insights from managing wicked problems to develop resilient diplomatic strategies that can withstand uncertainty and unforeseen challenges.

- **Promoting Collaboration and Stakeholder Engagement:** Wicked problems necessitate collaboration across sectors and disciplines. Economic diplomacy similarly relies on partnerships and alliances to address global economic challenges effectively. Insights from wicked problems encourage diplomats to foster collaboration among nations, international organisations, and private sector entities to achieve mutually beneficial outcomes.
- **Managing Trade-offs and Uncertainty:** Wicked problems often involve making trade-offs between conflicting priorities and managing uncertainty about future outcomes. Economic diplomacy frequently requires diplomats to negotiate trade-offs in areas such as market access, intellectual property rights, environmental standards, and labour regulations. Insights from dealing with wicked problems can help diplomats navigate these complexities by balancing competing interests and mitigating risks.
- **Promoting Systemic Thinking:** Wicked problems require a systemic approach that considers the broader context and long-term implications of decisions. Economic diplomacy can benefit from systemic thinking by examining how economic policies and agreements impact not only bilateral relations but also regional and global economic systems. Diplomats can use insights from wicked problems to anticipate unintended consequences and promote sustainable economic development.
- **Monitor, Evaluate and Learn:** Diplomats should establish mechanisms for monitoring progress and evaluating the effectiveness of strategies and interventions. Continuous learning is the key to success, and it will not happen without an explicit mechanism in place. This allows for adjustments and improvements based on real-world outcomes and lessons learned.
- **Balance Short-term and Long-term Considerations:** Wicked problems often require balancing short-term priorities with long-term goals and sustainability. Diplomats should consider both immediate impacts and future implications of decisions and actions, aiming for solutions that are resilient and sustainable over time.

Insights from dealing with wicked problems provide valuable lessons for economic diplomacy by emphasising the importance of complexity, collaboration, adaptive approaches, and systemic thinking. By applying these insights, diplomats can enhance their ability to address global economic challenges effectively and build resilient diplomatic relations. We now look at some specific UAE examples of wicked policy problems and how these might be addressed.

Wicked Policy Problems and Economic Diplomacy in the UAE

Wicked policy problems in economic diplomacy refer to complex issues that are difficult to define, involve multiple stakeholders, and lack clear solutions. For the UAE, a country with a strategic location, resource-driven economy, and ambitions for diversification, several of these challenges emerge. Below are concrete examples and potential solutions:

1. Transition from Oil Dependency

Nature of the Problem: The UAE has historically relied on oil exports for economic growth. However, with global pressure to combat climate change and the push for renewable energy, the country faces the dilemma of reducing its dependency on oil while maintaining economic growth.

Potential Solutions:

Diversification through Centennial 2071: The UAE has initiated economic reforms and investments in sectors such as renewable energy (e.g., Masdar City), technology, tourism, and advanced manufacturing. These initiatives aim to balance sustainable development with economic stability.

Partnerships: Strengthening diplomatic relations with technology leaders like the US, the EU, South Korea, and Japan can accelerate technology transfer for renewable energy projects.

Carbon Neutral Policies: The UAE's hosting of COP28 and its commitment to achieving net-zero emissions by 2050

demonstrate an effort to align diplomacy with global climate agendas.

2. Geopolitical Tensions in Trade and Investment

Nature of the Problem: The UAE operates in a geopolitically sensitive region, with tensions among major trading partners (e.g., the US, China, and Iran). Balancing relationships between these powers while safeguarding national interests is a wicked problem.

Potential Solutions:

Strategic Neutrality: The UAE has adopted a neutral diplomatic approach, positioning itself as a mediator in regional conflicts while maintaining strong trade ties with the US and China.

Economic Free Zones: Establishing zones like Jebel Ali Free Zone, Abu Dhabi Global Market and Dubai International Financial Centre has fostered a global business environment that attracts investment despite geopolitical challenges.

Diversified Supply Chains: Building ties with countries like India, South Korea, and Indonesia helps mitigate overreliance on specific trade routes or partners.

3. Labour Market Imbalances

Nature of the Problem: The UAE's economy heavily depends on foreign workers, with nationals representing a small fraction of the workforce. This dependency creates socio-economic challenges and needs to be considered when negotiating with labour-exporting countries on the rules for hiring and training foreign labour.

Potential Solutions:

Emiratisation Policies: The UAE has introduced quotas for private sector companies to hire Emiratis and incentivised industries like banking and insurance to provide training programs for locals.

Reforms in Labour Laws: Recent changes, such as the introduction of unemployment insurance and flexible work permits, aim to create a more equitable labour environment and improve conditions for foreign workers.

Upskilling Initiatives: Investment in education and vocational training for UAE nationals is critical. Programs like the "Nafis" initiative focus on equipping Emiratis with skills for high-demand industries.

4. Challenge: Food and Water Security

Nature of the Problem: The UAE's arid climate and limited arable land make it heavily reliant on food imports. Global supply chain disruptions and climate change exacerbate this challenge.

Potential Solutions:

Agricultural Technology: The UAE has invested in agri-tech innovations such as vertical farming and hydroponics (e.g., AeroFarms in Abu Dhabi).

Food Diplomacy: Long-term agreements with countries like India and Australia ensure food supply stability. The UAE is also diversifying its suppliers by reaching out to numerous African economies to reduce risks of over-dependence.

Water Desalination Projects: Massive investments in desalination plants and water reuse technologies are addressing water scarcity. Partnerships with global innovators in water technologies would help improve sustainability.

5. Managing Global Competition in Tourism

Nature of the Problem: The UAE has transformed into a global tourism hub, but it faces growing competition from

regional competitors like Saudi Arabia (through Vision 2030 and the NEOM project) and Qatar (through hosting the World Cup in 2022).

Potential Solutions:

Focus on Luxury and Niche Tourism: The UAE is doubling down on ultra-luxury offerings (e.g., Burj Khalifa and Atlantis the Royal) and niche tourism such as eco-tourism in Al Wathba and Hatta.

Event-Based Tourism: The UAE's calendar is packed with globally significant events, from sports (e.g., Formula 1 Abu Dhabi Grand Prix) to arts (e.g., Art Dubai), driving continuous visitor influx.

Transit Hub Advantage: Leveraging Emirates Airline and Dubai International Airport as world-class transit hubs ensures steady growth in visitor numbers.

By addressing these wicked policy problems with innovative and collaborative solutions, the UAE will continue to strengthen its position as a leader in economic diplomacy and a model for other nations. It must recognise that these individual actions are interconnected and explore the potential for the interconnections and feedback loops to lead to new opportunity but also to create unpleasant surprises.

Conclusion and Recommendations

Both the polycrisis and wicked policy problems arise from the increasing complexity of the world which itself arises from a multiplicity and density of interconnections and inter-relationships of countries, organisations, and people. These interlinkages produce unexpected and unpredictable outcomes to seemingly sound interventions which address only a part of a systemic problem. Economic diplomacy must recognise these inter-relationships and entanglements. The UAE, while maintaining the many sound interventions already being implemented in its economic diplomacy, will do well to continue systematically embracing systems thinking in its practice and position itself to deal effectively with wicked policy dilemmas and polycrisis.

The UAE might consider the following:

- A. adopting systems thinking in general and complex adaptive systems thinking, particularly in its economic diplomacy work where it makes sense to do so;
- B. identifying priority wicked policy problems of importance to the UAE and developing appropriate practices to address them;
- C. identifying likely polycrisis scenarios (using scenario building and strategic foresight tools) and developing appropriate anticipatory governance strategies;
- D. using complexity economics thinking where appropriate and comparing with existing neoclassical economic thinking and assumptions to see where changes might need to be made in policy.
- E. developing appropriate short- and long-term courses, workshops, seminars, or webinars for current and future diplomats that address issues such as systems thinking for economic diplomacy, complexity economics, complex adaptive systems thinking, wicked economic diplomacy problems, and polycrisis of potential relevance to the country.

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