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THE DUBAI MODEL: AN OUTLINE OF KEY DEVELOPMENT-PROCESS ELEMENTS IN DUBAI

The developmental process as it unfolds in Dubai has hardly been analyzed by academics. Most current knowledge about the country originates from media coverage, especially from news magazines and business literature. Recently a number of social science based but historically oriented academic publications have appeared.[1] Only one study, however, has seriously sought to place Dubai in a broader developmental framework: Sampler and Eigner's *From Sand to Silicon,* published in 2003.[2] Yet, by applying the so-called strategic trajectory model to the case of Dubai, they reduce their focus to the management side. Their aim is too narrow to provide an explanation of the overall development process in Dubai.

This article argues that the apparent developmental success of Dubai may be understood as the outcome of conscious policies conducted by a "late–late" developing state in order to "catch up" with the "developed world."[3] The development of the emirate must be seen as an outcome of a broad range of economic, institutional, political, and cultural factors that function in interaction; that is, this development lends itself to multicausal explanation. By implication, this article moves beyond the strategic trajectory model.

Fifty years ago, Dubai was an insignificant, poverty-ridden settlement of 30,000. Today it is a city–state of 1.4 million people expanding its global outreach and undertaking a range of high-profile investments and acquisitions. It competes with the biggest players in selected businesses such as tourism, logistics, port operations, financial services, and construction. Rapid changes to the cityscape and a reported increase in GDP per capita—from approximately U.S. $19,000 in 2000 to U.S. $33,500 in 2006—are indications of a booming economy.[4] Given the transformation of the emirate since the early 1990s, it is surprising that so little is known about it. This paper attempts to fill the gap not only by presenting information but also by analyzing and explaining Dubai's development path.

This study belongs to the category of "single country comparative studies."[5] Because its development record is unique, Dubai must be considered a "deviant case" from a methodological point of view. However, this deviance makes it a critical case to study. Documenting and analyzing this emirate's development path expands our understanding of how development could proceed within the political and cultural realm of the Middle East and North Africa in general.

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My data comes from both written sources and interviews. Although the Dubai authorities are producing and making available more and more data, there is still significant underreporting on economic, social, and political issues. For example, basic data on income from oil, earnings from public firms, ownership structures, and the size of the state budget, as well as policy-oriented white papers and so forth, are either not produced or are restricted from public access, making it extremely difficult to document key variables in the planning process. My research for this paper included stays in Dubai in 2005, 2006, and 2007 (for a total of four months). All told, I conducted forty-eight interviews with decision makers, public employees, private-sector operators, scholars, and a few journalists. I have taken every care to secure the reliability of my informants and the validity of their information—and to extend that scrupulousness to the conclusions drawn from the material.

This article falls in the middle of a trilogy. The first article presents a historical account of Dubai's economic development and analyzes the density and strengths of ties between the public and the private sectors.[6] The present article pinpoints the basic parameters of the development path, "the Dubai model of economic development." The third article examines whether Dubai's economic success has spurred significant policy changes within the Gulf region, as claimed by several writers.[7] I probe the extent to which neighboring Gulf countries actively pursue economic reforms that may facilitate a shift from a rentier to a production-oriented economy.

This article asks four questions. First, what characterizes the "state" in Dubai? Second, what have been the key parameters of the country's development path since 1990? Third, what are the economics of the undertaking? Finally, does this path lead to sustainability?

KEY FEATURES OF THE STATE IN DUBAI

This paper links Dubai's development process to efforts and initiatives originating from the state, especially its developmental character and its neopatrimonial basis.

The Developmental Character of the State

States' developmental character is debated within the so-called developmental state paradigm. The notion of the "capitalist developmental state" emerged in the early 1980s as a response to the failure of socialist models or the neoclassical free market model to explain the developmental successes of Japan and other East Asian countries—the so-called Asian miracle. The developmental state paradigm stresses the critical role of state intervention in these countries' economies and focuses on the institutional and political bases of effective state intervention.[8] The term "developmental state" closely resembles what Niblock calls "state-sponsored capitalism" or what Kohli calls "cohesive-capitalist" states.[9]

The developmental state paradigm relates to two significant theoretical debates undertaken among political economists since the 1940s. First, it addresses the role of the state versus that of the market in the process of "late–late" development; second, building on the first debate, it examines why some developing economies perform better than others.[10] Although these questions merged by the early 1980s, the debaters polarized into two different schools of thought, namely, a neoliberal, promarket position and a statist

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position. From the mid-1980s the promarket position became almost hegemonic,[11] not least due to its embrace—with great enthusiasm—by international financial institutions such as the IMF and the World Bank.[12] By the end of the millennium, however, there were signs that the promarket position was losing ground to the statist position. The Washington Consensus, the hallmark of the neoliberal position, was slowly supplanted by the "Santiago consensus," which replaced the call for a "minimal state" with an emphasis on the broad, eclectic role of the state in important areas of the economy and in society at large.[13]

The developmental state paradigm has been developed and refined over the years by so-called neostatist writers. Prominent among them is Peter Evans. In his classic study from 1989, *Predatory, Developmental, and Other Apparatuses: A Comparative Political Economy Perspective on the Third World State,* he identifies one defining element of the developmental state, namely, its "embedded autonomy." In other words, although the state bureaucracy is sufficiently autonomous to formulate its goals independently of powerful elites in society (and thus can avoid "state capture" by such elites), it is still embedded in the economic activities of society through dense ties with the private-business sector. These ties are trusted for intelligence and the bulk of the actual implementation of development plans.[14] Developmental states are furthermore characterized by an active and interventionist role for governments in the pursuit of a strong developmental agenda. A deeply felt urge to "catch up" to colonial masters, and the developed world in general, is often a central motivation for this.[15]

The East Asian states—for example, South Korea, Taiwan, and Singapore—exemplify typical developmental states.[16] Thus, the concept of "developmental state" is closely associated with the so-called East Asian model of development. This model dates back to the 1920s, when Japan commenced its development drive to catch up to the First World, and has since the 1950s spread throughout East Asia.[17] It builds upon significant government interventions in the economy. As Jei Guk Jeon argues, the East Asian model is based on a pragmatic mix of state guidance with private initiatives; he points to Park Chung Hee's "guided capitalism," Chiang Ching-kou's "planned free economy," and Lee Kuan Yew's "half socialist half capitalist" principles of economic development.[18] This model encompasses two key features: "(a) high investment rates stemming mainly from foreign direct investment [FDI], and (b) an outward orientation emphasizing labor intensive manufactured exports. Multinational corporations often play a dominant role in both aspects—supplying FDI and mass-producing goods for the export market."[19]

The East Asian developmental states are found to share several basic features that have influenced the depth of state economic intervention. These include "a historical legacy of strong and economically active states, traditions of social and political hierarchy and strong nationalist sentiments underpinned by cultural homogeneity and reinforced by external threats."[20] Since the 1990s, this model—especially the development experience of Singapore—has served as an important inspiration for development planners in Dubai. As highlighted by Nabil Ali Alyousuf, director general at The Executive Office in Dubai, Singapore became a reference point for Dubai because of the similarities between the two countries—especially in vision and proactive leadership.[21]

Like Singapore and Hong Kong, Dubai is a small city–state and entrepôt.[22] These three have followed a special development path—a path that Haggard terms "entrepôt growth"[23] and that the development literature considers atypical.[24] As pointed out

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by Simon Kuznets, the normal route to development, that is, the route followed by most advanced countries, has included a shift away from agriculture to nonagricultural activities—and more recently from industry to services.[25] Entrepôts, however, lack the agricultural point of origin and develop "large service and commercial sectors in line with their function as intermediaries between primary-exporting hinterlands and regional, imperial, and world economies."[26] Dubai seems typical as an entrepôt in that it has attempted to jump directly from a pearling/trading society to a service society.

It is clear that Dubai's development path resembles that of a developmental state. With its strong developmental vision and the will to use the state apparatus and significant funds to pursue its developmental goals, Dubai applies significant state involvement in the economy. Furthermore, it is characterized by "embedded autonomy."[27]

The Neopatrimonial Basis of the State

The state structure in Dubai is also characterized by neopatrimonialism, which implies that the regime is organized around the ruler as an individual, maintaining other members of the elite in a relationship of personal dependence on his grace and good favor.[28]

> "Patrimonialism" means that a patron, who is culturally anchored in a social and political order, distributes gifts from [his] own resources on followers to obtain and strengthen loyalty and support. "Clients," on the other hand, obtain material benefits and protection. "Neo" means that office holders in legal-rational state institutions are patrons who use public funds to build their personal loyalty among clients so as to stay in power.[29]

Patrimonialism, in combination with patriarchy, was an integral part of political culture in the tribal societies of the Gulf prior to the oil era.[30] However, with the advent of significant economic "rents"—first in the form of British payments for imperial air-landing rights, oil concessions, and the like in the early part of the 20th century[31] and later of significant incomes from oil production—patrimonialism was transformed into neopatrimonialism.[32]

Yet Dubai cannot be classified as a rentier state. In a review of rentier-state theory as set forward by Hazem Beblawi and Giacomo Luciani, I have argued that the shift from a "production state" to a "rentier or allocation state" did not take place in Dubai on the scale and to the depth that it did in most of the surrounding oil-rich Gulf states.[33] Why? Dubai's oil reserves are small in both absolute and relative terms and expensive to extract and so could not be relied upon as a major income earner.[34] Thus, in the attempt to create a developed and sustainable economy, Dubai chose to invest its oil revenues in economic activities that could strengthen the income-earning potential of its traditional income earners, namely, traders and service providers. Oil rents made it possible to build and expand infrastructure—roads, two harbors, significant warehouse capacity, an airport, industrial zones—and to keep tax and customs low in order to improve the country's commercial advantages.

Oil money, however, significantly strengthened the ruler's economic position, bettering his ability to "buy" loyalty not only from the bedouin tribes and the merchant elites but also from society at large. In this process, Dubai citizens were co-opted into the current neopatrimonial state structure through what Christopher M. Davidson calls a

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"rentier pact."[35] This pact distributes a package of wealth to both locals and expatriates, securing the ruler political acquiescence and considerable popularity.

A "rentier pact" in the Gulf countries usually includes distribution of land to loyal supporters and important families; highly subsidized electricity, water, and housing; free welfare services such as education and health care; and well-paid jobs in the public sector.[36] Furthermore, government contracts in every field from cleaning government buildings to constructing airports are awarded strategically to loyal citizens. Although the Dubai government no longer supplies free housing and free education abroad, nationals enjoy a range of special allowances added to their salaries, for example, for accommodation, transport, cost of living, furniture, children, and so forth. These raise citizens' salary levels to approximately twice that of a nonnational employed in the same job.[37]

The neopatrimonial governance style naturally allows for significant dirigisme, especially in a situation in which the ruler and a relatively small group of top government officials control the economy and development planning, as in Dubai.

KEY PARAMETERS OF DUBAI'S DEVELOPMENT PATH

A developmental path emerges over time as the outcome of a broad range of contextual features: historical, external, location/size, cultural, institutional, and political factors.[38] It lies beyond the scope of this paper, however, to describe and analyze each of these important factors, including their influence on the development path.[39] Yet the current development effort in Dubai must be viewed as a continuation of events that took place in the early 20th century, when the Al Maktoum ruler provided significant incentives to the Persia-based merchant class to persuade them to relocate to Dubai. This "branching point" or "critical juncture" instituted an extremely probusiness environment and openness toward foreigners in business and in society in general, as well as a strong belief in the proactive role of the "state" in the economy.[40]

Nine key parameters characterize Dubai's development path:

- Government-led development (ruler-led)
- Fast decision making and "fast track" development
- Flexible labor force
- Bypass of industrialization—creation of a service economy
- Internationalization of service provision
- Creation of investment opportunities
- Supply-generated demand ("first mover")
- Market positioning via branding
- Development in cooperation with international partners

Government-Led Development

Government, not the private sector, takes the lead in the development of Dubai. Although financially strong, Dubai's private entrepreneurs are politically weak. The merchant class was co-opted into the current neopatrimonial state structure during the 1940s and 1950s.[41] The current division of roles between government and the private sector was clearly spelled out by Shaykh Mohammed in his inauguration speech for the *Dubai Strategic Plan 2007–2015*:

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The truth is that these exceptional results [during 2000–2005] were made possible mainly by the leadership and initiative of the Government. . . . There is no need to detail Governments [sic] initiatives. You have experienced them firsthand in many areas, including the development and modernization of public services, institutional frameworks, legislation, regulation, and infrastructure; or through the launch of strategic projects, such as tourism ventures, [the] Internet and Media cities, the Dubai International Financial Centre, specialized zones, and other megaprojects. These initiatives are the driving forces behind development and the main factor in attracting investors. These initiatives also encouraged the private sector, enhanced its confidence, and gave it substantial opportunities. It quickly followed the Government's lead and became a true partner in development.[42]

The institutional structure in Dubai is highly centralized. As United Arab Emirates University political-science professor Abdulkhaleq Abdullah suggested, one should think of it as a two-tier system.[43] The first tier consists of the traditional government departments, such as the Dubai Municipality and the eighteen or so authorities involved in the day-to-day running of Dubai: police, electricity and water, roads and transport, and so forth.[44] The second tier is a new structure erected during the rule of Shaykh Mohammed around The Executive Office, a centerpiece that may be thought of as the ruler's personal office.[45] The Executive Office manages all new developments: megaprojects, state-owed companies, foreign investments, free zones, ports, investment banks, and the special thematic "cities" like Health Care City, Logistic City, Internet City, and so forth. Previously heading these activities were more than sixty separate entities, which merged in 2005 and 2006 into two giant holding companies: Dubai Holding and Dubai World.[46] Each encompasses its own banks, investment institutions, government-run companies, service providers, property development, and so forth.

The ruler has placed his four most trusted men in charge of key economic activities. Mohammed Abdallah al-Qarqawi heads Dubai Holding, Sultan Ahmed Bin Sulayem heads Dubai World, and Mohammad bin Ali al-Abbar heads the Department of Economic Development and Emaar, the largest government-controlled property-development firm.[47] In addition, the ruler has appointed his brother Shaykh Hamdan chairman of Dubai Municipality, which basically puts him in charge of the traditional governmental system.

In other words, the decision-making structure in Dubai is extremely centralized. These five men control a significant part of the emirate's economy.[48] Although not a democratic ideal, centralization allows for fast decision making and significant coordination of development activities and investments.

Fast Decision Making and Fast Track Development

In decision making and in implementation, speed has become a trademark of Dubai.[49] As Jeffrey Sampler and Saeb Eigner point out, "The notion of speed is pervasive, from racehorses to fast-track building construction."[50] Although it is unclear whence this apparent obsession with speed originates, both the late Shaykh Rashid and his son, current ruler Shaykh Mohammed, are fast decision makers eager to see results, which may be a consequence of the ongoing competition for economic hegemony among Gulf-region tribes.[51] People who surround the ruler have acquired the habit of living up to these expectations[52] and are supported in this effort by a lean and efficient governance

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structure. As Abdullah noted, "Government here is definitely not a slow down. It is a fast-moving entity. It is moving faster than the wishes of the people and the private sector. The bureaucracy is a locomotive rather than a drag."[53]

In an interview, Geoff Taylor, chief executive officer of Dubai Dry Dock, explained how fast decision making works on a day-to-day basis:

> If I want to spend 40 million dollars on an extension of the repair facilities here at the Dry Dock, I will pass the request to the head of Dubai World, Mr. Sulayem, who is right under Shaykh Mohammed. Usually I will get an answer within thirty minutes. . . . Here they are much more forward thinking, dynamic, and a lot more trusty. They trust that the person who runs the businesses generally tends to understand the business and as such [is] in the best position to see business opportunities.[54]

Fast decision making is both a result of the institutional setup created in Dubai and of the size of the country. It is important for business success because it allows companies to exploit opportunities in the market whenever they arise and before competitors do. Quick implementation means that an activity can begin while excitement is fresh and has not been dulled by a long development stage.[55]

However, fast track development in combination with the enormous boom in construction is not without problems. As Angus Hindley, the Gulf editor at the business magazine *Middle East Business Intelligence*, commented, "While Dubai had the best planning in the Gulf countries until 1998, this ability has been stretched following the explosion in the establishment of free zones and of free-hold property, to a point where any long-term planning has gone out the window." [56]

Flexible Labor Force

In the United Arab Emirates (UAE)—and in particular in Dubai—the ratio between "nationals" and "expatriates" is among the most disproportionate in the world. In the UAE only 20 percent of the population are citizens,[57] a figure that most observers estimate to be even lower in Dubai (15%). According to the Dubai Strategic Plan, the population in Dubai was almost 1.2 million in 2005, with 845,000 in the workforce. This plan identifies a need to double the workforce before 2015 to 1.73 million.[58]

From a developmental perspective, the large proportion of expatriates creates a uniquely favorable situation. While other countries struggle to educate and especially reeducate their population as the countries pass through various stages of development, Dubai basically "purchases" its workforce on the international market to suit current needs: construction workers and domestic servants from the Indian subcontinent; nurses, doctors, and teachers from Egypt, for example; and highly educated persons with qualifications in technical or economic fields from Europe and the United States. Bringing in and later returning workers to their respective homelands allows for enormous flexibility in both the size and the qualifications of the workforce. Furthermore, it allows Dubai to make exceptionally quick strategic changes as new market opportunities arise or new developmental goals are set. If the leadership wants to establish an airline, an aerospace industry, or an information-technology sector, it simply finds laborers with the relevant experience. In other words, skills have become a fully tradable commodity. Finally, the extensive use of expatriate labor facilitates both fast decision making as well as fast

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track implementation because it removes bottlenecks within institutions and within the labor force. Foreign consultants, for instance, are brought in to prepare large projects, adding resources to the local planning units.

On a critical note, one can accuse Dubai of "free riding" when it comes to expenditure on education because it lets other countries educate the workforce it uses. The use of imported workers, especially the half million construction workers from India, makes Mike Davis claim that the development of Dubai is primarily built on the exploitation of cheap Asian labor.[59] Low wages have significantly reduced the cost of construction in Dubai, as compared to Europe and America, and enhanced the competitive advantages of Dubai.

Bypass of Industrialization—Creation of a Service Economy

The fourth systemic feature of the Dubai model is that Dubai has no intention of developing through industrialization. Although the country has not completely bypassed industrialization, Dubai is jumping directly from a pearling/trading society to a service society.[60]

As spelled out in development plans (*Vision 2010,* published in 2000, and the *Dubai Strategic Plan,* published in 2007), Dubai aims to develop a service or service-knowledge economy.[61] Thus, Dubai shares the same development goals as Singapore and other recent attempts to establish "tiger economies," such as in Ireland and Iceland. According to Jean F. Rischard, former vice president of the World Bank, a knowledge-based economy is not so much about the number of educated people as it is about a special mindset dominating such societies—a mindset that focuses on building and winning opportunities, on visions, and on creating a vibrant home base for globally competitive business. The state plays an important role in creating this mindset through its policies and general conduct and not least through provision of high-quality information infrastructure and innovation systems.[62] The insistence on fast track development and the "can-do" thinking that dominate speeches by Shaykh Mohammad and are echoed in every business-magazine article on Dubai are part of this mindset. The message is simple: if you have an idea, then Dubai is the place to come and realize it.

Three examples of the effort to establish a service-knowledge economy are the establishment of Dubai Media City, a free zone for news agencies and publications; Dubai Internet City, a free zone for information technology; and the Dubai International Financial Centre (DIFC). The last is a government-initiated endeavor in the field of financial services, and it includes both a financial and a mercantile exchange.[63] The DIFC is competing with Singapore and Qatar to become the financial center for the entire region between Western Europe and East Asia—and thus an exchange with the same status as New York, London, and Hong Kong.[64] Once it is fully developed, the DIFC aims to employ 70,000 people.[65]

If the DIFC succeeds, it will endow Dubai with a range of benefits. First, it will provide work for a large contingent of highly paid knowledge workers from financial firms all around the globe. Second, the DIFC and its employees will generate a significant amount of derived business to Dubai's benefit. Third, it will become the channel through which investment passes, not only to the Middle East region but also to the former Soviet countries and Africa. Fourth and finally, it will place Dubai at the center of financial

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transactions and financial solutions that are suitable for its own development, including various forms of shari'a-compliant lending.[66]

In other words, by these strategic investments in knowledge-intensive service industries, the government of Dubai not only builds the knowledge content of its service provision but also establishes significant forward and backward linkages within its own economy, resulting in a prospect for increased developmental effect.[67]

Internationalization of Service Provision

The *Dubai Strategic Plan* calls for moving existing sectors of strength to new frontiers—both domestic and international.[68] With such a tiny home market, any significant growth in the service industry must include expansion to international markets. Dubai has made a series of investments abroad over the last years in everything from aircraft manufacturers to Las Vegas casinos.[69] In 2006 and 2007 Dubai spent U.S. $49 billion on such acquisitions.[70]

One such investment was when DP World (formerly called Dubai Ports, Customs, and Free Zone Corporation) purchased the London-based Peninsular & Oriental Steam Navigation Company for $6.8 billion in 2006. It thereby acquired management contracts for fifty-four ports worldwide, becoming the third largest port operator in the world.[71] In this way, the expertise gained by DP World over the years in operating Port Rashid and Jebel Ali has become internationalized.

Another example of the internationalization of services is property development, undertaken by the state-controlled property-development company Emaar. While operating in Dubai, the firm created a concept of master-planned lifestyle communities and since 2004 has employed this concept on an international level.[72] Today Emaar builds such communities in twenty-one countries. One project is the King Abdullah Economic City in Saudi Arabia. Here Emaar, in cooperation with the Saudi Arabia Investment Authority, will erect a new city for 2 million people, encompassing a seaport, an industrial zone, a business district, and residential housing.[73]

A final example of the internationalization of services is the construction of the world's largest airport and logistic zone—Maktoum International Airport, through which 120 million passengers a year are expected to pass.[74] This airport, next to the Jebel Ali harbor, will be the hub for Dubai-based Emirates Airlines, which plans to expand into the world's biggest airline by 2015 following investments totalling U.S. $50 billion.[75] Furthermore, the airport will host the largest maintenance, repair, and overhaul center in the world, implying that Dubai-based firms will compete globally in providing such services. This airport initiative not only intends to expand Dubai's position as "the" logistic hub of the region but also intends to establish Dubai as one of the three hubs on the international super flyway for long-distance flights. In addition, it aims to create numerous new jobs with high knowledge content. Once fully developed, the airport and its service facilities will employ 750,000 people.

Supply-Generated Demand ("First Mover")

All businesses grapple with the question of when to invest. There are two general answers: either wait until demand for the good or service is present or supply the good

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or service and let it generate its own demand. Many of the noteworthy projects undertaken in Dubai have followed the latter strategy. Although far riskier than the first, this strategy offers higher gains if demand actually picks up—"first mover advantages."[76]

Classic examples of Dubai's investment policy are found in the ports and airport constructed during the reign of Shaykh Rashid (r. 1958–90). Each was built with significant overcapacity and allegedly against the advice of most experts.[77] Following the same formula are contemporary projects like Internet City, Media City, Palm Islands (three palm-tree-shaped islands off the Dubai coast), the World (a world-map-shaped cluster of private islands four kilometers from Dubai city), the U.S. $45 billion Dubai Land (aiming to be the world's largest amusement park), and Maktoum International Airport.[78]

In the absence of financial statements, it is not possible to assess these projects' profitability. However, none of my informants could point to any major project that had failed so far. Rather, they noted that the ports, airport, dry dock, Internet City, Media City, and so forth had all expanded several times since being built. No doubt the positive developments in the region—for trade, for example—have played a factor but so, too, has good investment planning. Sampler and Eigner, for instance, show how the government of Dubai has been both selective and strategic in the creation of the assets in the economy. Each asset has been created so it builds step by step on the strengths already achieved."[79]

Because the government holds considerable control over basic parameters of the economy, it has the ability to make most projects successful. For instance, within the tourist industry, the government commands not only the hotels and the public-relations network but also the airline that delivers most tourists. Government-controlled firms, not private firms, make the first and most risky investments; significant state resources can be activated to ensure that mixed public/private projects succeed. Finally, each project is implemented using a "full throttle," approach, meaning that it is allocated the resources necessary to make it successful.[80]

Creation of Investment Opportunities

Since the mid-1980s, leadership in Dubai has focused upon attracting foreign investment. *Vision 2010* explicitly states that increasing amounts of FDI are a prerequisite for further development.[81] To lure FDI, the country streamlined legislation and created investment opportunities. As a first step, investments with full foreign ownership were introduced when the Jebel Ali Free Zone was established in 1986 and later expanded through a number of specialized free zones all over Dubai, such as Internet City, Media City, and the DIFC.

A second major type of investment opportunity was created within the real-estate sector. This was truly innovative because there had been a customary and complete restriction on nonnationals owning property in Dubai, as elsewhere in the UAE. However, in March 2002, Dubai introduced freehold ownership, granting foreigners full ownership of apartments and houses.[82] The residences on Palm Island were among the first sold under this arrangement. Later, the government allocated sections of the city to such housing. At Dubai Marina, for instance, around 200 residential building blocks, hotels, and so forth are currently being erected, creating homes for 75,000 people.[83] By mid-2007, more than 15,000 expatriates had bought property.[84]

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Dubai seems to have made the most of the unique situation originating from excess investment capital in the region. As argued by Ahmed Kanna, investment capital was seeking an outlet in the 1990s from the Soviet Union, from India, from various African nations, and not least from Iraq and Iran, because these states were either collapsing or restructuring.[85] In this sense, capital was "unmoored" and could easily be attracted by real-estate investment possibilities in Dubai.[86] Other waves of investment rolled in, such as the one that followed the 9/11 terror attacks in 2001. This had its origin in U.S.-government threats to freeze Arab investments in the West and in significant oil-price increases since 2002, which have generated unprecedented economic prosperity in the region.[87] These investments have spurred the current construction boom and the impressive growth rates of the Dubai economy.[88]

Market Positioning via Branding

As Peter Folton, general manager of the Grand Hyatt Hotel in Dubai, pointed out in relation to the tourist sector, "What is unique about Dubai is that there has never been a destination that does such a great job of marketing [itself] on the international stage." He added that Dubai applies an extremely coordinated approach among the various entities involved: the airlines, hotels, marketing board, and so forth. With large events of strategic interest, such as the World Bank meeting in 2003 or a high-profile medical congress, the government often takes over administration, coordinating transportation and even fixing room prices for all categories of hotels—private or government owned—in order to guarantee the event's success.[89]

Dubai pursues development with a ready strategy. It seems to have made a deliberate choice to position itself at the high-quality end of the market, whether in the tourist sector, services, or manufacturing. In other words, it does not intend to work its way up the quality ladder as early industrializers and followers of the Asian model did. It also seems to have chosen to develop by offering something substantially new to both investors and consumers rather than by replicating what everyone had done before.

Branding has been a key element in this development strategy: Dubai has branded itself as "quality and innovation."[90] One part of this approach has been the erection of iconic buildings today known worldwide. Among these are the sail-shaped hotel, Burj al-Arab*;* the Palm Islands; the triangular Emirates Towers; and not least, Burj Dubai, the tallest building in the world, which will reach 800 meters upon completion in 2009.[91] Explicating the connection between architecture and the image of a city,[92] Anna Klingmann argues that architecture is often used as a strategic tool in economic and cultural transformation. "Branding in architecture means the expression of identity, whether of an enterprise or a city. Indeed, New York, Bilbao, and Shanghai have all used architecture to enhance their images, generate economic growth, and elevate their positions in the global village."[93]

Development with International Partners

The final parameter of the Dubai model is international partners' active role in the development process. As Nabil Ali Alyousuf, director general of The Executive Office explains, Dubai aims to attract the best experts to the country's projects. The

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government sector not only hires renowned architects to construct buildings but also tries to involve internationally recognized entities as partners in their operation. One example is Dubai Health Care City.[94] Both the Mayo Clinic and Harvard Medical School were involved in the planning process and now in the day-to-day operation of the hospital.[95] This approach sends a strong signal to potential consumers regarding quality of treatment at Health Care City: it is on par with the best in the world. In tourism, government-owned hotels not only bring in international chains like Hilton, Sheraton, and Hyatt in the planning phase but also in the management phase afterward.[96] International partners and consultants collaborate in nearly every sector in Dubai.

This approach solves a significant problem for a developing state such as Dubai, namely, the lack of skills among the local population to operate businesses with high knowledge content. Although buildings may be erected and technology bought, operating a high-standard hospital demands significant education and work-related training, which very few Dubai natives possess. This reliance on international partners underscores Alice H. Amsden's general finding that the first industrialized countries paved their road to modernity with invention and innovation and the current "backward" countries base their development on "learning" from already developed countries.[97]

THE ECONOMICS OF THE DUBAI DEVELOPMENT PATH

Dubai lightly taxes its population and businesses.[98] Furthermore, a significant part of new economic activities takes place in free zones, which provide such financial incentives as exemption from corporate and income taxes for fifty years, duty-free import of goods, and full repatriation of profits and capital.[99] So, how will Dubai earn an income that can sustain the day-to-day running of society—especially when oil revenues dry up in the not too distant future?

Various key sources generate income: service-related fees and fees from public utilities, oil, state-owned enterprises, lease of government-owned housing, and sale of land and property.

Although citizens and businesses do not pay income taxes, they pay fees for a range of everyday services and permissions, such as renewing drivers' licenses and visas, employing foreign workers, using hospitals, and so forth. Through the Government Excellence Programme, Dubai has invested significantly in turning the public sector into an efficient, revenue-generating entity.[100] The aim is to make the public sector self-financing in the future. The Dubai Water and Electricity Authority is well on its way and is believed to be the only utility in the Middle East currently generating a profit.[101] Although international corporations undertake many of the economic activities in Dubai, the government plans to make income by hosting them—through leasing offices, warehouses, and land; supplying accommodation for workers and managers; charging visa fees; providing food, electricity and water, phone service, and schooling to the children of international labor; selling airline tickets to and from the country; and so forth. Because the government owns virtually all providers of such services and all buildings in the free zones, it stands to make an income from each person or business that settles in the country. Furthermore, the government owns 17,000 villas, which it leases.[102] If the state reaches its declared goal of doubling the population by 2015,

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the income derived from these "immigrant" sources could contribute significantly to government coffers.

Pumped at the rate of 170,000 barrels/day, oil is not a major income earner. Even with the average oil price of U.S. $100 in 2008, oil production added a modest U.S. $6.1 billion a year to the national budget.[103] Because of diversification of the economy, the oil share of the GDP has been reduced to 5 percent.[104]

State-owned enterprises, however, are believed to generate "hefty earnings," with sources estimating income at 8 to 12 percent of the GDP.[105] These entities encompass such firms as Emirates Airlines, Dubai Airport, Dubai Aluminum Company, Etisalat (the national phone company), Dubai Dry Dock, and the multitude of entities included in Dubai World and Dubai Holding. Their exact contribution to the economy is not known outside the innermost circles.[106]

The most significant sources of income since 1990 have likely been land sales to foreign investors.[107] The logic is as follows: the ruler owns land in Dubai. He might ask a state-owned property-development company to develop a tract, which it does as a "cluster," that is, a "city within a city." Developers install the basic infrastructure and erect a few key buildings; they sell the remaining plots to investors and third-party developers.[108] With a constant undersupply of houses, apartments, and office space in Dubai since the early 1990s, investors have been more than willing to invest in these. Property-development companies have thus gained a significant premium on their investment. From this perspective the three Palm Islands might be seen as a huge revenue-raising exercise. It is estimated that the Government of Dubai has made U.S. $16 billion of sales from these projects.[109]

In general, this accounts for government income. But how is the money spent? First, in accordance with neopatrimonial governance style, money is used to satisfy patronage networks. The "rentier pact" between ruler and citizens implies that large sums of money are distributed for various functions.

Second, money is invested in infrastructure and new income-generating projects. Due to the rapid increase of population, the government has invested significantly in roads and public transport, a public bus system, construction of a metro, and so forth. Furthermore, significant investments are allocated to government-owned businesses and to the steady stream of megaprojects under way that aim to attract "excess regional liquidity."[110] Twenty-three such projects are currently being implemented.[111]

Finally, significant funds are channeled into foreign acquisitions and investments. As mentioned previously, Dubai firms have undertaken a range of high-profile investments in recent years in order to move Dubai-based businesses on to the global market. However, these investments are not financed solely by capital in hand. Business-news reports reveal that both public and private companies in Dubai increasingly finance expansions by raising funds through financial markets. In other words, they borrow to expand.[112]

Another noteworthy feature of the Dubai economy is that despite massive government involvement, significant parts of it operate on market terms. Dubai is home to a large private sector in trade and retail that embraces purely capitalistic principles and has made Dubai the third largest reexporter in the world after Hong Kong and Singapore.[113]

In addition, the government makes a point of not sheltering government-owned firms from competition, as is often the case with traditional state-owned enterprises.

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Government firms are typically given a start-up sum and a piece of land. If they cannot establish their business and become profitable, they are left to die. In this respect, it would be more appropriate to call such ventures "state-initiated" firms.[114] In fact, the country's leaders induce competition in and among government-controlled entities through conscious policies of duplication. Prime examples of this are the two holding companies Dubai Holding and Dubai World, both of which encompass a range of similar entities and activities. This overlap results in constant competition for new ideas, income, and visibility.[115] Indeed, as government-controlled entities increase their activities in the global market, they will be exposed to even higher levels of competition. In other words, even in a government-controlled and neopatrimonial economic environment, Dubai has created circumstances in which the virtues of neoliberalism seem to coexist with state dirigisme.

ISSUES OF SUSTAINABILITY

Having explored the development path followed by Dubai since 1990, let us now briefly touch upon the issues of sustainability and economic efficiency. Certain of the country's risks and vulnerabilities are unlikely to disappear in the short to medium term: asset bubbles in real estate, dependence on foreign workers, regional security problems, issues related to political leadership, and, last but not least, environmental issues. Thus, the current development path cannot be extrapolated into the future without considerable concern. This point has been underscored by the financial crisis that hit the global economy in fall 2008. Although it is far too early to evaluate the long-term impact of this crisis on the Dubai economy, it certainly poses challenges to the Dubai development model.

Will the huge investments in real estate in recent years turn out to be a bubble that will burst, sending the economy into a downturn? Or does the expected increase in population, in combination with foreigners purchasing holiday apartments, secure the market? More in general, how will the global recession impact the development of Dubai?

How will foreign workers, both construction workers and professionals, be affected by the current recession? From 2004 to 2008, foreign workers experienced steep increases in rents and other living costs, making it considerably less attractive from an economic standpoint to seek employment in Dubai.[116] How will the current recession impact the living expenses and thus the net earnings of foreign workers? Will expected net incomes secure Dubai a qualified and hard-working expatriate workforce in the years to come? Furthermore, what are the implications of the boom in the Asian economies—in India, for example—for Dubai's ability to attract workers?

How will various scenarios concerning regional stability affect Dubai? Will the heated situation in Lebanon and the current disagreement between Iran and the international community over Iran's pursuit of nuclear capabilities result in a spillover of conflict into the lower Gulf states? On an internal level, will Islamic fundamentalism pose a risk to Dubai because of the country's very relaxed policies concerning dress code, alcohol, drugs, homosexuality, and prostitutes?[117] Dubai's trading community has benefited whenever a conflict took place in the region. However, will that remain true in the future, now that Dubai is engaged in businesses such as tourism and service provision, which are highly sensitive to unrest?

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What is the sustainability of leadership in Dubai? Shaykh Mohammed plays a unique role in contemporary development and has almost attained a demigod status. What will happen if the ruler makes a sizeable entrepreneurial mistake or is significantly weakened by health problems? In other words, to what extent is the current development drive a single man's project or an institutional structure that will continue under a successor? [118]

Last but not least, is the development path environmentally sustainable? The Global Footprint Network has recently highlighted the UAE as the country with the highest ecological footprint per capita, significantly surpassing even the United States.[119] High electricity consumption, especially due to year-round air-conditioning, cooled swimming pools, desalinization to create fresh water, and high gasoline consumption for transportation, makes the UAE the world's most environmentally unsustainable society. Can this continue in the future, especially if the size of the population in Dubai doubles within the next decade? To what extent is it economically efficient to locate enclaves of high-level living under the climatic conditions that prevail in the Gulf region?

Each of these questions warrants a thorough discussion, which lies far beyond the scope of this paper. Based on the way leaders have dealt with problems and challenges in the past, including the "embedded autonomy" characterizing its institutions, Dubai seems to have potential to rectify such problems as they arise.

CONCLUSION

How did Dubai secure a place among the richest countries in the world? It was not on the strength of trading, pearling, and its modest oil reserves. Dubai created its significant assets and comparative advantages one by one during the last century and especially since the early 1990s. This article argues that Dubai's extraordinary transformation is the result of five factors.

First, the tiny scale of the country, both in territory and population (which even today is no larger than a mid-sized town in the United States), allows much tighter integration and easier decision making. Second, oil incomes, however modest compared to other countries in the region, have nonetheless provided significant funds over the years for developmental activities. Third, Dubai chose well to focus upon international service provision as the major income earner. This type of knowledge-based industry is characterized by high growth, high value-added products, and global mobility, which implies diversification of risk because such activities are not tied physically to Dubai.

Fourth, Dubai benefited from the historically unique situation of vast amounts of excess capital in the region. The dynamics of the development effort since the early 1990s lie in the country's ability to attract FDI. Such investments have financed the construction of the cityscape and a variety of production facilities and have established a vast number of firms and businesses. All the while, Dubai-based governmental companies, relieved of this financial burden, use their own funds in combination with borrowed money to purchase economic assets on the global scene. In other words, Dubai has secured a maximum return on the historical circumstance of international surplus capital looking for profitable investment possibilities in the 1990s and especially after the turn of the millennium. Seizing this opportunity resulted in a significant build-up of physical and human assets within a relatively short time, which promise to contribute to the emirate's income.

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Fifth, the extremely centralized and capable decision-making structure and significant government involvement in the economy have made it possible to coordinate sizable state investments, incoming foreign investments, and most likely a good part of private-sector investments. Although proponents of democracy and neoliberalism may rightfully criticize this centralized approach, it nevertheless constitutes a major reason for Dubai's success. From a statist perspective, democratic or participatory forms of governmental leadership might endanger development in its initial phases because it may divert investment and political focus away from key factors in economic development.[120] This has not happened in Dubai. On the contrary, the centralized approach—one of the defining characteristics of the developmental state paradigm in Dubai—has been reinforced by the traditional tribal (patrimonial) leadership style. This has enabled the city–state to carefully build a portfolio of complementary assets that possess significant backward and forward linkages in the economy and thus secures a high developmental impact for Dubai. The cost of this approach, however, has been carried by the multitude of foreign workers who, even though entering the country voluntarily, have endured low wages and less than satisfactory working conditions.

In short, this study demonstrates that the development path followed by Dubai does not easily present itself as a "model" that can be generalized to other developing countries. It also underscores that Sampler and Eigner's focus on the managerial features of the developmental process in *Sand to Silicon*,[121] the foremost attempt to place Dubai in a developmental framework, is far too narrow to describe and analyze the development process as it has actually unfolded. The exploratory nature of the approach applied in this study suggests we need further research about the relationship between "historical opportunism" and sustainable development—and about the development of the centralized neopatrimonial state.

NOTES

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[1]Ibrahim Al-Abed and Peter Hellyer, *The United Arab Emirates. A New Perspective* (London: Trident Press, 2001); Fatma Al-Sayegh, "Merchants' Role in a Changing Society: The Case of Dubai, 1900–90," *Middle Eastern Studies* 34 (1998): 87–102; Christopher M. Davidson, *The United Arab Emirates: A Study in Survival* (Boulder, Colo.: Lynne Reinner, 2005); Christopher M. Davidson, "The Emirates of Abu Dhabi and Dubai: Contrasting Roles in the International System," *Asian Affairs* 38 (2007): 33–48; Martin Hvidt, "Public–Private Ties and their Contribution to Development: The Case of Dubai," *Middle Eastern Studies* 43 (2007): 557–77.

[2]Jeffrey Sampler and Saeb Eigner, *Sand to Silicon: Achieving Rapid Growth Lessons from Dubai* (London: Profile Books, 2003).

[3]"Late–late" development defines states that entered the development process after World War II. Atul Kohli, *State-Directed Development: Political Power and Industrialization in the Global Periphery* (Cambridge: Cambridge University Press, 2004), 2. "Late–late" developers usually follow a development pattern that is less spontaneous and more state-led than earlier developers. See, for example, Alice H. Amsden, *Asia's Next Giant: South Korea and Late Industrialization* (New York: Oxford University Press, 1989), 3; Alexander Gerschenkron, *Economic Backwardness in Historical Perspective* (Cambridge, Mass.: Belknap Press of Harvard University Press, 1966), 7ff; Albert O. Hirschman, *The Strategy of Economic Development*

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(New Haven, Conn.: Yale University Press, 1958/1969), 7–11; Adam Szirmai, *The Dynamics of Socio-Economic Development* (New York: Cambridge University Press, 2005), 83.

[4]International Monetary Fund, *United Arab Emirates: Statistical Appendix. IMF Country Report No. 07/348* (Washington, D.C.: IMF, 2007), Table 5.

[5]B. Guy Peters, *Comparative Politics: Theory and Methods* (Houndsmills, U.K.: Macmillan Press, 1998), 62ff.

[6]Hvidt, "Public–Private Ties."

[7]Martin Hvidt, "Dubai-modellen: følger Golf-landene i Dubais fodspor?" (The Dubai Model: Are the Gulf Countries Following in the Footsteps of Dubai?), in *Et andet nyt Mellemøsten* (Another New Middle East), ed. Peter Seeberg and Morten Valbjørn (Odense, Denmark: Odense University Press, 2008), 145–76.

[8]Laurids S. Lauridsen, "The Developmental State and the Asian Miracles: An Introduction to the Debate," in *Institutions and Industrial Development: Asian Experiences*, ed. Laurids S. Lauridsen (Roskilde, Denmark: IDS Roskilde University, 1995): 24–40.

[9]Tim Niblock and Monica Malik (*The Political Economy of Saudi Arabia* [London: Routledge, 2007], 5ff) divide states into minimal states, state-aided capitalism, and state-sponsored capitalism while Kohli in *State-Directed Development* divides them into neopatrimonial states, cohesive-capitalist states, and fragmented-multiclass states.

[10]Kohli, *State-Directed Development*, 4.

[11]Ibid., 6.

[12]Martin Hvidt, "Limited Success of the IMF and the World Bank in Middle Eastern Reforms," *Journal of Social Affairs* 21 (2004): 77–103, 78ff.

[13]Michael P. Todaro and Stephen C. Smith, *Economic Development*, 9th ed. (Harlow, U.K.: Pearson/Addison Wesley, 2006), 537ff.

[14]Peter B. Evans, "Predatory, Developmental and Other Apparatuses: A Comparative Political Economy Perspective on the Third World State," *Sociological Forum* 4 (1989): 561–87, 581. Evans elaborates the concept of embedded autonomy in idem, *Embedded Autonomy: States and Industrial Transformation* (Princeton, N.J.: Princeton University Press, 1995).

[15]Evans, *Embedded Autonomy*, 6. For further insight into the concept of developmental states, see, for example, Bruce Cumings, "Webs with No Spiders, Spiders with No Webs: The Genealogy of the Developmental State," in *The Developmental State*, ed. Meredith Woo-Cumings (Ithaca, N.Y.: Cornell University Press, 1999), 61–92; Geoffrey R. D. Underhill and Ziaoke Zhang, "The Changing State—Market Condominium in East Asia: Rethinking the Political Underpinnings of Development," *New Political Economy* 10 (2005): 3–26; Gordon White, "Constructing a Democratic Developmental State," in *The Democratic Developmental State: Politics and Institutional Design*, ed. Mark Robinson and Gordon White (Oxford: Oxford University Press, 1998), 17–51; Gordon White and Robert Wade, "Developmental States and Markets in East Asia: An Introduction," in *Development States in East Asia*, ed. Gordon White (Houndsmills, U.K.: Macmillan Press, 1988), 1–29. Despite the attempts by Evans to define the developmental state, Leftwich argues that the concept remains both insecurely defined and weakly theorized. Adrian Leftwich, "Form of the Democratic Developmental State: Democratic Practices and Developmental Capacity," in *The Democratic Developmental State*, 52–83.

[16]Ibid.

[17]Harold R. Kerbo and Robert Slagter, "Thailand, Japan, and the East Asian Development Model: The Asian Economic Crisis in World System Perspective," in *The East Asian Development Model: Economic Growth, Institutional Failure, and the Aftermath of the Crisis*, ed. Frank-Jürgen Richter (Houndsmills, U.K.: Macmillan Press, 2000), 119–40.

[18]Jei Guk Jeon, "Exploring the Three Varieties of East Asia's State-Guided Development Model: Korea, Singapore, and Taiwan," *Studies in Comparative International Development* 30 (1995): 70–88.

[19]Robert Looney, "Thaksinomics: A New Asian Paradigm?" *Strategic Insights* (Monterey, Calif.: Center for Contemporary Conflict, 2 December 2003).

[20]White and Wade, "Developmental States and Markets in East Asia," 24.

[21]The two countries have formalized an exchange of ideas and procedures at the state level. There are numerous examples of Dubai adapting policies or copying initiatives that originated in Singapore. One example is the yearly shopping festival, a month combining family entertainment and shopping. Nabil Ali Alyousuf (director general of The Executive Office), interview with the author, 21 December 2006.

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[22]For an in-depth account of Singapore's development experience, see W. G. Huff, "What Is the Singapore Model of Economic Development?" *Cambridge Journal of Economics* 19 (1995): 735–59; W. G. Huff, *The Economic Growth of Singapore: Trade and Development in the Twentieth Century* (Cambridge: Cambridge University Press, 1994). For a comparison of the development of Singapore and Hong Kong, see Linda Low, "A Putative East Asian Business Model," *International Journal of Social Economics* 33 (2006): 512–28; Pang Eng Fong, "The Distinctive Features of Two City–States' Development: Hong Kong and Singapore," in *In Search of an East Asian Development Model*, ed. Peter Berger and Hsin-Huang Michael Hsiao (New Brunswick, N.J.: Transaction Books, 1988), 220–38.

[23]Stephan Haggard, *Pathway from the Periphery: The Politics of Growth in the Newly Industrializing Countries* (Ithaca, N.Y.: Cornell University Press, 1990), 27.

[24]Phillip Hookon Park, "A Reflection on the East Asian Development Model: Comparison of the South Korean and Taiwanese Experience," in *The East Asian Development Model*, 141–68; Amsden, *Asia's Next Giant,* 4; Haggard, *Pathway from the Periphery*, 27; Gustav Papanek, "The New Asian Capitalism: An Economic Portrait," in *In Search of an East Asian Development Model*, 27–80.

[25]In his seminal paper, "Modern Economic Growth: Findings and Reflections" (*The American Economic Review* 63 [1973]: 247–58, 248ff), Simon Kuznets provides an account of structural transformation and the resulting shift from an agricultural to a service society. For a detailed overview over the structural changes normally associated with industrialization, see also Peter Mathias, "The Industrial Revolution: Concept and Reality," in *The First Industrial Revolutions*, ed. Peter Mathias and John A. Davis (Oxford: Basil Blackwell, 1989): 1–24. For a summary of the key positive effects of industrialization in relation to development, see Szirmai, *The Dynamics of Socio-Economic Development*, 263.

[26]Haggard, *Pathway from the Periphery*, 27.

[27]Hvidt, "Public–Private Ties," 573.

[28]Michael Herb, *All in the Family. Absolutism, Revolution, and Democracy in the Middle Eastern Monarchies* (Albany, N.Y.: State University of New York Press, 1999), 15.

[29]Clapham (1985: 47–49) quoted in Ole Therkildsen, *Working in Neopatrimonial Settings: Perceptions of Public Sector Staff in Tanzania and Uganda* (København: DIIS, 2006), 6.

[30]Michael C. Hudson, *Arab Politics: The Search for Legitimacy* (New Haven, Conn.: Yale University Press, 1977), 25; Nazih N. Ayubi, *Over-stating the Arab State: Politics and Society in the Middle East* (London: I. B. Tauris, 1995), 164–69; Davidson, *The United Arab Emirates*, 19, 73–77; Clement M. Henry and Robert Springborg, *Globalization and the Politics of Economic Development in the Middle East* (Cambridge: Cambridge University Press, 2001), chap. 1.

[31]Davidson, *The United Arab Emirates*, 35–37.

[32]Ibid., chap. 2, for a detailed account of the construction of the neopatrimonial structures in the UAE. For further readings on neopatrimonialism, see Max Weber, *Economy and Society. An Outline of Interpretive Sociology*, ed. Guenther Roth and Claus Wittich (Berkeley, Calif.: University of California Press, 1978), chap. 10; Davidson, "The Emirates of Abu Dhabi and Dubai"; John W. Fox, Nada Mourtada-Sabbah, and Mohammed al-Mutawa, "The Arab Gulf Region: Traditionalism Globalized or Globalization Traditionalized?" in *Globalization and the Gulf*, ed. idem (London: Routledge, 2006), 3–59; Hudson, *Arab Politics*.

[33]Hvidt, "Public–Private Ties," 562. See also Hazem Beblawi, "The Rentier State in the Arab World," in *The Arab State*, ed. Giacomo Luciani (London: Routledge, 1990), 85–98; and Giacomo Luciani, "Allocation vs. Production States: A Theoretical Framework," ibid., 65–84.

[34]Dubai produces around 240,000 barrels per day (b/d) of oil and substantial quantities of gas from offshore fields, http://www.uae.gov.ae/Government/oil_gas.htm (accessed 25 March 2008). Dubai's oil production peaked in 1991 at 410,000 b/d and has been declining ever since. The country will likely exhaust its oil reserves within twenty years. Gerald Butt, "Oil and Gas in the UAE," in *The United Arab Emirates*, 231–48.

[35]Davidson, *The United Arab Emirates*, 104.

[36]See, for example, Roger Owen, *State, Power and Politics in the Making of the Modern Middle East* (London: Routledge, 2004), 52.

[37]"New Pay Scales for National Employees," *Khaleej Times*, 16 November 2006, http://www.khaleejtimes.com/DisplayArticleNew.asp?section=theuae&xfile=data/theuae/2006/november/theuae_november422.xml (accessed 23 November 2006).

[38]This view is shared by writers within the research tradition termed "historical institutionalism." See Peter A. Hall and Rosemary C. R. Taylor, "Political Science and the Three New Institutionalisms," *Political*

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Studies XLIV (1996): 936–57, 936ff; B. Guy Peters, *Institutional Theory in Political Science: The 'New Institutionalism'* (London: Pinter, 1999), chap. 4.

[39]For an elaboration upon the historical, external, location/size, cultural, institutional, and political factors in forming Dubai, see Al-Abed and Hellyer, *The United Arab Emirates*; Davidson, *The United Arab Emirates*; Hvidt, "Public–Private Ties"; MENA, "The United Arab Emirates," in *Middle East and North Africa 2008*, vol. 54 (London: Europa Publications, 2007), 1207–41; Malcolm C. Peck, *The United Arab Emirates. A Venture in Unity* (Boulder, Colo.: Westview Press, 1986); Frauke Heard-Bey, *From Trucial States to United Arab Emirates* (Dubai: Motivate Publishing, 2004).

[40]Hvidt, "Public–Private Ties," 559.

[41]Ibid., 565.

[42]"Sheikh Mohammed Announces Dubai Strategic Plan," 3 February 2007, http://www.sheikhmohammed.ae/vgn-ext-templating/v/index.jsp?vgnextoid=321b4b7922e44110VgnVCM1000003f140a0aRCRD&vgnextchannel=b0b24c8631cb4110VgnVCM100000b0140a0aRCRD&vgnextfmt=default&date=1170516690423&mediatype=EVENT (accessed 5 March 2008).

[43]Institutions might be defined as "the formal or informal procedures, routines, norms, and conventions embedded in the organizational structure of the polity or political economy"; Hall and Taylor, "Political Science," 938. The institutional structure in Dubai is not static and, on a more formal note, includes the federal level.

[44]Abdulkhaleq Abdullah (political-science professor, United Arab Emirates University), interview with the author, Dubai, 16 November 2006. Approximately 50,000 are employed in the traditional tier, including the police force. Alyousuf, interview.

[45]According to my interviews and own experience, The Executive Office is a modern administrative set-up characterized by well-paid, highly educated, and highly motivated staff.

[46]In this way, Dubai has copied Singapore, gathering all development initiatives into a few holding companies in order to increase control and coordination of their activities. Huff, "Singapore Model," 744.

[47]Thirty percent of Emaar is owned by the Dubai government and 70 percent by private funds. Economist Intelligence Unit, *Country Report: United Arab Emirates (2006–2007)* (London: Economist Intelligence Unit, 2006), 30. A profile of Emaar can be found in Anil Bhoyrul, "Tower of London," *Arabian Business* 8 (2007): 32–34.

[48]*Forbes* magazine (2005) listed Shaykh Mohammed as the fourth richest man in the world with a personal fortune of U.S. $14 billion even though the lines between state and personal assets are not clear. The Economist Intelligence Unit's *Country Report* (15–16) points out that a sizable part of this fortune stemmed from business ventures and not from oil.

[49]In every interview respondents singled out fast decision making and fast implementation as key factors behind the success of Dubai.

[50]Sampler and Eigner, *Sand to Silicon*, 24.

[51]"Competing Ambitions," *Middle East Economy Digest* (2007): 37–39, 37ff.

[52]Sampler and Eigner, *Sand to Silicon*, 118.

[53]Abdullah, interview.

[54]Geoff Taylor (CEO, Dubai Dry Docks), interview with the author, Dubai, 21 December 2006.

[55]Sampler and Eigner, *Sand to Silicon*, 118.

[56]Angus Hindley (Gulf editor, *Middle East Business Intelligence*), interview with the author, Dubai, 7 December 2006.

[57]Economist Intelligence Unit, *Country Report*, 19.

[58]*Dubai Strategic Plan 2007–2015 (Highlights)* (Dubai: The Executive Office, 2007), 18, 23. No statistics reveal the official number of nationals and expatriates in the population. The reported size of the population in Dubai varies considerably among official sources.

[59]Mike Davis, "Fear and Money in Dubai," *New Left Review* 41 (2006): 47–68.

[60]The Dubai government has invested in a few major industrial undertakings, such as Dubai Aluminum and Dubai Cable. A relatively modest privately owned industrial sector of a lighter and smaller scale produces construction goods and inputs that would be costly or inefficient to import. Davidson, "The Emirates of Abu Dhabi and Dubai," 39. One thousand international companies maintain industrial production in the Jebel Ali Free Zone, for instance. PowerPoint presentation by Jebel Ali Free Zone Authority, Jebel Ali, JAFZA headquarters, 17 December 2006, slides 11 and 14.

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[61]In a knowledge economy, the central wealth-creating activity is "productivity" and "innovation," which represent the application of knowledge to work. Peter F. Drucker, *Post-Capitalist Society* (Oxford: Butterworth-Heinemann, 1993), 7.

[62]Jean F. Rischard, "The Knowledge-Based Economy: Worldwide Trends and New Ideas," presentation at the Dubai School of Government, 26 November 2007. Rischard, World Bank vice president for Europe, made similar points in an earlier presentation: http://lnweb18.worldbank.org/mna/mena.nsf/Attachments/K4D-Rischard/$File/J-F+Rischard+K4D.pdf (accessed 12 May 2008).

[63]See the DIFC website, http://www.difc.ae/ (accessed 17 October 2007).

[64]During the summer of 2007, Borse Dubai (the name of the stock exchange located in Dubai) and U.S.-based technology Nasdaq were in a bidding contest to acquire the Scandinavian Stock Exchange. "Borse Dubai has $5.3b for OMX," *Gulf News,* 31 August 2007, http://archive.gulfnews.com/articles/07/08/31/10150350.html (accessed 2 September 2007). Borse Dubai has also initiated negotiations with the Karachi Stock Exchange in Pakistan. "Borse Dubai Eyes Stake in Karachi Exchange," *The Peninsula,* 28 August 2007, http://thepeninsulaqatar.com/Display_news.asp?section=business_news&month=august2007&file=business_news2007082803441.xml (accessed 2 September 2007)

[65]Waleed Abbas Hilmi (city planner, Dubai Municipality), interview with the author, Dubai Municipality, 17 January 2005.

[66]C. L. Jose, interview with the author, Dubai, 21 December 2006; "Special Report: Banking," *Middle East Economic Digest* 51 (2007): 37–67.

[67]In regard to the issue of linkages, see Hirschman, *The Strategy of Economic Development*, 98ff; A. P. Thirlwall, *Growth & Development: With Special Reference to Developing Economies* (Houndsmills, U.K.: Palgrave Macmillan, 2006), 312ff; and David Waldner, *State Building and Late Development* (Ithaca, N.Y.: Cornell University Press, 1999), 7. Hirschman argues that development strategies should emphasize activities that hold the highest potential for linkages because this will provide the greatest inducement and incentive for other activities to develop.

[68]*Dubai Strategic Plan*, 21.

[69]For further information on foreign investments see, for example, Emilie Routledge, "GCC Economic Performance in 2005," in *Gulf Year Book 2005–2006*, ed. Gulf Research Center (Dubai: Gulf Research Center, 2006), 109–27; Economist Intelligence Unit, *Country Report*, 30; and John Sfakianakis and Eckart Woertz, "Strategic Foreign Investments of GCC Countries," in *Gulf Geo-Economics*, ed. Eckart Woertz (Dubai: Gulf Research Center, 2007), 131–46.

[70]"DP World Plans $3.5bn Dubai Initial Share Sale," *Gulf Times*, 5 October 2007, http://www.gulftimes.com/site/topics/printArticle.asp?cu_no=2&item_no=176683&version=1&template_id=48&parent_id=28 (accessed 5 October 2007).

[71]Ibid. However, DP World was forced by American politicians to sell its operations in the United States, which included six ports and stevedoring operations in sixteen locations. "DP World Quits US Business," *The Saudi,* 19 March 2007, http://www.grc.ae/modules/geogrphicallocations/view_articles_print.php?frm_pki=2 (accessed 30 August 2007).

[72]Concerning Emaar's activities, see http://www.emaar.com/ (accessed 21 May 2008).

[73]See http://www.kingabdullahcity.com/en/ (accessed 23 May 2008). See more concerning Emaar's activities at http://www.emaar.com/ (23 May 2008). See also description of various projects: "Emaar to Build $2bn Hill Town," *Middle East Economic Digest* 51 (2007): 19; Economist Intelligence Unit, *Country Report*.

[74]The airport capacity is equal to the combination of Chicago O'Hare and London Heathrow. For further information, see the Dubai World Central website, http://www.dwc.ae/ (accessed 24 May 2008).

[75]See "Emirates Seeks $50bn to Expand Fleet," *Emirates Today,* 24 August 2007, http://corp.gulfinthemedia.com/gulf_media/view_article_en_print.php?action=print (accessed 30 August 2007) for a review of current plans to invest U.S. $50 billion to expand the fleet so that Emirates Airlines will become the world's largest carrier. At the Dubai Airshow 2007, Emirates Airlines placed $34 billion in orders for new aircraft, mainly from Airbus. Dominic Gates, "Boeing Loses Big Order to Airbus at Air Show," *Seattle Times,* 12 November 2007, 5.

[76]A first-mover advantage may be defined as "a sometimes insurmountable advantage gained by the first significant company to move into a new market," http://www.marketingterms.com (accessed 15 August 2007).

[77]Graeme Wilson, *Father of Dubai. Sheikh Rashid bin Saed Al-Maktoum* (Dubai: Media Prima, 1999), 126, 184.

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[78]In order to minimize risk, however, most of these megaprojects operate with a phased implementation. The second of the Palm Islands was considered for building only after the first sold out.

[79]Sampler and Eigner, *Sand to Silicon*, 69, 161–62.

[80]One example is Dubai Aerospace Enterprises, which was allocated U.S. $15 billion to establish its business in the global market. "Dubai Aerospace Eyeing Airbus Factories," *Agence France-Press,* 25 August 2007, http://www.gulfinthemedia.com/index.php?id=337337&news_type=Economy&lang=en (accessed 27 August 2007).

[81]*Vision 2010: Dubai: Shaping the Future* (Dubai: The Executive Office, 2000), 5.

[82]It became legal by 14 March 2006 according to the Emirates Network account of the history of Freehold Property in the Emirates, http://realestate.theemiratesnetwork.com/articles/freehold_property.php (accessed 2 June 2008).

[83]http://www.dubai-marina.com/ (accessed 25 March 2008).

[84]"Dubai Issues List of Freehold Locations," *Gulf News*, 30 April 2007, http://archive.gulfnews.com/articles/06/07/16/10053399.html (accessed 17 September 2007).

[85]Ahmed Kanna, "Dubai in a Jagged World," *Middle East Report* 243 (2007) http://merip.org/mer/mer/243/kanna.html (accessed 25 June 2007).

[86]Unfortunately, it is impossible to provide exact figures for foreign investments because FDI figures are not published for the UAE or for Dubai. Economist Intelligence Unit, *Country Report*, 29. For an estimate, see Wasseem Mina, "FDI Performance and the Influence of Location Factors in the GCC Countries," Woertz, *Gulf Geo-Economics*, 107–29.

[87]Institute of International Finance, *Tracking GCC Petrodollars: How and Where They Are Being Invested around the World* (Washington D.C.: Institute of International Finance, Inc., 2007).

[88]Greg Hunt (journalist residing in Dubai), interview with the author, Dubai, 20 December 2006.

[89]Peter Folton (general manager, Dubai Grand Hyatt Hotel), interview with the author, Dubai, 19 December 2006.

[90]Ahmed A. al-Tunaiji (manager, Dubai Chamber of Tourism and Commerce Marketing), interview with the author, 6 December 2006.

[91]"Nakheel Designs 1km-High Tower," *Middle East Economic Digest* 51 (2007): 16.

[92]Anna Klingmann, *Brandscapes: Architecture in the Experience Economy* (Cambridge, Mass.: MIT Press, 2007), 4.

[93]Ibid., 2.

[94]A cluster of hospitals and private clinics aim to provide high-level medical services to people from the Gulf region and Asia with the intent to promote medical tourism. See the website of Dubai Health Care City, http://www.dhcc.ae/ (accessed 13 May 2008).

[95]Nabil Ali Alyousuf (director, Government Excellence Programme), interview with the author, Dubai, The Executive Office, 27 January 2005.

[96]Folton, interview.

[97]Amsden, *Asia's Next Giant*, 4.

[98]This is true in general, but Dubai levies a 10 percent sales tax on hotel bills and on bank profits. Economist Intelligence Unit, *Country Report United Arab Emirates, August 2006* (London: Economist Intelligence Unit, 2006), 18.

[99]JAFZA, presentation.

[100]The Excellence Programme was started in 1997 to improve government efficiency. All staff is trained in an American management model, and all departments are evaluated yearly by acclaimed assessors in compliance with this model. The program entails visits to all departments by a "mystery shopper" who rates departments' and directors' performance. Alyousuf, interview, 2005.

[101]One reason for the profitability of the Dubai Water and Electricity Authority is that it has been politically acceptable to set the fees at a realistic level. Nationals are compensated for such fees through allowances in their salary, and the vast foreign population is not in a political position to resist such fees. Hindley, interview.

[102]Folton, interview.

[103]See n. 33.

[104]*Dubai Strategic Plan*, 19.

[105]Economist Intelligence Unit, *Country Report . . . 2006*, 9.

[106]Taylor, interview.

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[107]"In recent years, much of the emirate's wealth has been generated by selling land plots to wealthy developers from neighbors such as Saudi Arabia and Kuwait." Economist Intelligence Unit, *Country Report. . . 2006*, 15.

[108]Hindley, interview.

[109]Ibid.

[110]*Dubai Strategic Plan*, 17.

[111]See the home page of the *Gulf News* for an updated listing of the megaprojects in Dubai: http://archive.gulfnews.com/megaprojects/index.html (accessed 22 May 2008).

[112]"Emirates Seeks $50bn to Expand Fleet"; "DP World Plans $3.5bn Dubai Initial Share Sale"; "Why Is DP World Going Public?" *Middle East Economic Digest* 51 (2007): 34–36.

[113]Hvidt, "Public–Private Ties"; JAFZA, presentation.

[114]Zeyad Almajed (assistant manager, Dubai Development and Investment Authority), interview with the author, Dubai, 25 January 2005. Numerous respondents claim that they know of government start-up firms that have actually terminated business.

[115]Hindley, interview.

[116]The Economist Intelligence Unit estimates that rent roughly doubled in Dubai from 2004 to 2006. *Country Report. . . 2006*.

[117]Davidson, "The Emirates of Abu Dhabi and Dubai," 33.

[118]The successor of Shaykh Muhammed is his son Shaykh Hamdan bin Mohammed bin Rashid Al Maktoum, who was appointed crown prince of Dubai on 1 February 2008. For a discussion of family rule, see, for example, Owen, *State, Power and Politics*, 3.

[119]Global Footprint Network, *Ecological Footprint and Biocapacity*, www.footprintnetwork.org (accessed 3 June 2008).

[120]Democracy versus economic development is often debated. See, for example, Georg Sørensen, *Democracy, Dictatorship, and Development: Economic Development in Selected Regimes of the Third World* (Houndsmills, U.K.: Macmillan Press, 1991), 164; Waldner, *State Building and Late Development,* 31ff; Szirmai, *The Dynamics of Socio-Economic Development*, 476ff.

[121]Sampler and Eigner, *Sand to Silicon*.

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