SUSTAINABILITY OF THE DUBAI MODEL OF ECONOMIC DEVELOPMENT

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<td>AC</td>
<td>Academics</td>
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<td>BA</td>
<td>Bankers</td>
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<td>CEO</td>
<td>Chief Executive Officer</td>
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<td>CPI</td>
<td>Corruption Perceptions Index</td>
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<td>CRESC</td>
<td>Centre for Research on Socio-Cultural Change</td>
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<td>DDE</td>
<td>Dubai Diamond Exchange</td>
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<td>DDIA</td>
<td>Dubai Development and Investment Authority</td>
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<td>Dubai Electricity and Water Authority</td>
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<td>Dubai Healthcare City</td>
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<td>Dubai International Academic City</td>
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<td>Dubai Internet City</td>
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<td>DIFC</td>
<td>Dubai International Financial Centre</td>
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<td>DIFX</td>
<td>Dubai International Financial Exchange</td>
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<td>DKV</td>
<td>Dubai Knowledge Village</td>
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<td>DMC</td>
<td>Dubai Media City</td>
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<td>DMCC</td>
<td>Dubai Multi Commodities Centre</td>
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<td>Dubai Ports</td>
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<td>DSF</td>
<td>Dubai Shopping Festival</td>
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<td>Dubai Summer Surprises</td>
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<td>Dubai Textile City</td>
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<td>DWE</td>
<td>Dubai Women Establishment</td>
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<td>Emirates Airlines</td>
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<td>EMAL</td>
<td>Emirates Aluminium</td>
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<td>FDI</td>
<td>Foreign Direct Investment</td>
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<td>FNC</td>
<td>Federal National Council</td>
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<td>GCC</td>
<td>Gulf Cooperation Council</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>GE</td>
<td>General Electric</td>
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<td>GII</td>
<td>Gender Inequality Index</td>
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<td>GITEX</td>
<td>Gulf Information Technology Exhibition</td>
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<td>GO</td>
<td>Government Officials</td>
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<tr>
<td>GREs</td>
<td>Government Related Entities</td>
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GWU: General Women’s Union
ICAO: International Civil Aviation Organization
ICD: Investment Corporation of Dubai
ICT: Information and Communication Technology
IMF: International Monetary Fund
IMPZ: International Media Production Zone
JAFZA: Jebel Ali Free Zone
KHDA: Knowledge and Human Development Authority
MENA: Middle East and North Africa
OECD: Organisation for Economic Co-operation and Development
PS: Private Sector
R&D: Research and Development
RERA: Real Estate Regulatory Agency
ROI: Return on Investment
RTA: Roads and Transport Authority
SWOT: Strengths, Weaknesses, Opportunities and Threats
TEC: The Executive Council
TECOM: Dubai Technology and Media Free Zone Authority
TEO: The Executive Office
UAE: United Arab Emirates
UK: United Kingdom
UNDP: United Nations Development Programme
WFDB: World Federation of Diamond Bourses
WTO: World Trade Organisation
ABSTRACT

The University of Manchester
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Sustainability of the Dubai Model of Economic Development
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Dubai’s rapid double-digit economic growth was severely challenged by the global financial crisis of 2007, which raised many concerns questioning the sustainability of the Dubai model of economic development and the viability of the emirate’s economic managerial practices. Although the economic landscape of Dubai has experienced a significant transformation over the last two decades, from a basic traditional economy of US $ 17.9 billion in 2001 to a diversified non-oil dependent economy of US $ 86.7 billion in 2012, there are few convincing empirical academic studies to assess and explain the Dubai model of economic development. This doctoral research provides a crucial assessment of the Dubai model in light of its political and socio-cultural contexts. For this purpose, a multidisciplinary theoretical framework that stems from the literature of economic geography, cultural economy and managerialism, has been designed in order to critically interpret the mechanism of the emirate’s economic managerial practices in today’s global capitalism. This involves a methodological approach based on the study of narratives and performance to explain Dubai’s narratives and macro-economic performance. The multidisciplinary theoretical framework adopted is useful in analysing the Dubai model as an alternative to the discipline of mainstream economics, which ignores cultural and social dimensions and conditions that not only influence but also shape a given economic landscape.

The research was undertaken by analysing a wide range of data, including intensive macro-economic statistics, financial and economic reports, international and local press, as well as conducting empirical in-depth elite interviews with fifty-six key stakeholders in the economy of Dubai: senior government officials, representatives of financial institutions, senior managers in the private non-financial sector, and academics. The research findings reveal that although the political and socio-cultural contexts naturally support Dubai’s economic model, institutional and managerial problems were also exposed following the global financial crisis and the property shock of 2007. Dubai represents a financialized economy in which the government has adopted a hybrid model of government-driven developments and corporate managerial features within an environment that encourages commercial liberalism and market capitalism. However, despite this financialized economy, tensions remain in Dubai’s pursuit of these goals. Finally, the research stresses the need for appropriate government mechanisms to foster oversight over economic performance and long-term sustainable economic development.
DECLARATION

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DEDICATION

I dedicate this thesis to...

My parents, Nawal and Saleh for their endless love, trust and continuous support...

My brothers, Khalid and Mohammed for always being beside me...

My sister-in-law, Fatma for being a role model in raising a smart young generation...

My sunshine... my niece Dana and my nephews Sultan, Ahmed and Ali...

And... to my beautiful homeland, my beloved country, the United Arab Emirates...
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My appreciation goes to all the friends who supported me with their presence in my life. Because of their words of encouragement and faith in me, I am living a more beautiful life. I thank my friends who made my stay in Manchester more pleasant, especially Reine Houssami, Petra Poljsak, Omar Alshehhi and La’aleh Al-Aali.

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CHAPTER 1 RESEARCH OVERVIEW

1.1 Introduction

The current era is characterised by globalisation that has transformed the economic landscape of the world and the way national economies function to maintain the flow of financial and trade transactions to their territories (Clark et al., 2000; Scott, 2000b, 2001; Sassen, 2001; Thorns, 2002; Clark and Tracey, 2004; Robinson, 2006). The present-day world economy is profoundly influenced and shaped by the hyper-mobility of capital, firms, goods, people and knowledge across continents and national boundaries (Hirst and Thompson, 1996; Sassen, 1998; Siebert, 1999; Swyngedouw, 2000; Short, 2004). This is in addition to the significant increase in the role and dominance of finance on individuals, corporations and national economies as a vital component of present-day global capitalism (Fligstein, 1990; Boyer, 2000; Martin, 2002; Krippner, 2005; Froud et al., 2006; Erturk et al., 2008; Harvey, 2010).

Economic globalisation and the financialized nature of the world economy in the twenty-first century have encouraged countries and cities to adapt their public policies and deploy their resources to compete in a dynamic world economy. This competition among states and cities is operationalised not only by investing in urban infrastructure and modernising the state’s institutions and legal system to attract foreign capital and investments, but also by branding and promoting their infrastructure, economic, institutional, cultural, and other characteristics to generate international interest and gain a foothold in today’s global marketplace (Kotler, 1993; Kotler and Gertner, 2004; Avram and Ketter, 2008). It is believed that the purpose of this competition is to achieve the state’s development, growth and economic prosperity (Porter, 1990; Maskell et al., 1998; Clark and Tracey, 2004; Vietor, 2007). Consequently, the twenty-first century is the era of the emergence of global cities that are in essence strategic sites that facilitate the conduct and management of international financial and economic transactions through the advanced services provided by these cities in today’s highly networked global economy (Friedmann and Wolff, 1982; Friedmann, 1986; Sassen, 2001, 2006; Short, 2004; Brenner and Keil, 2006).

Dubai city-state, the second largest city in the United Arab Emirates (UAE), is considered to be the most globalised city both economically and culturally in its region and a recognisable hub in the international network of business, trade, commerce and financial services (Elsheshtawy, 2004; Abdulla, 2006). It has been noted that Dubai has transformed itself over the last two decades from a modest city into a vibrant part of the global business community (Elsheshtawy, 2004; Abdulla, 2006; Sampler and Eigner, 2008; Davidson, 2008; Hvidt, 2009). Since its inception in the 1830s as a modest fishing and pearling harbour in the east of the Arabian
Peninsula, Dubai has been historically known as a favourable trading place and a crossroads for ships exchanging goods between India, Iran, Pakistan, China in the East and East Africa and Europe in the West (Al-Sayegh, 1998). Despite its harsh environment, its modest natural resources and limited human capital, Dubai has grown rapidly from a small community of merchants with a basic economy to a dynamic, sophisticated economy. Dubai’s Gross Domestic Product (GDP) grew from about US $ 17.9 billion in 2001 to US $ 86.7 billion in 2012 (Dubai Statistics Center, 2012a). The civil modernisation process in the city in terms of establishing municipality, electricity, telegraph and telephone services, as well as the commencement of urban and economic activities such as the establishment of the airport and the dredging of the Creek to enable bigger ships to be serviced, was initiated before oil was discovered offshore in 1966 (Dubai Municipality, 1998; Federal Research Division of Library of Congress, 2009). The discovery of oil supported the emergence of Dubai by providing an initial source of revenue for the establishment of various industries and projects. However, the remarkably fast economic growth that Dubai witnessed in a short span of time from the 1990s, accelerating significantly in the following decade, was not attributed primarily to oil, as Dubai has very limited resources. The key element believed to have played a large role in the notable economic growth of the city-state is the policy of economic and cultural openness that was adopted by Dubai’s ruling family over time; it can be demonstrated in essence by the philosophy of the late Sheikh Rashid Bin Saeed Al Maktoum (1958-1990) who stated, “what is good for business is good for Dubai” (Abdulla, 2006; Sampler and Eigner, 2008).

1.2 Research Problem

Dubai’s economy experienced a steady growth in GDP in the 1990s, followed by an unprecedented growth rate of 44.7 per cent in 2004, 26.7 per cent in 2005 and 72.1 per cent in 2006, with oil accounting for less than 5 per cent of GDP (Dubai Statistics Center, 2012a). This notable economic growth was based on developing non-oil sectors and industries including commerce, logistics, tourism, finance, real estate and construction (Suliman, 2006; Davidson, 2008), combined with the introduction of economic initiatives and projects that boosted the economy and encouraged foreign direct investment (FDI). The inflow of FDI grew by 101 per cent from US $ 16.7 billion in 2007 to US $ 33.7 billion in 2011. The FDI as a percentage of GDP increased from 22 per cent in 2007 to 41 per cent in 2011. Moreover, the total foreign trade grew from US $ 30.5 billion in 2001 to US $ 336.5 billion in 2012 (Dubai Statistics Center, 2007; Dubai Statistics Center, 2012b). Dubai’s rapid double-digit economic growth, the tangible urbanisation and huge investment in infrastructure, and the establishment of mega-economic and real estate projects such as The Palm Jumeirah, Burj Khalifa, Dubai Internet City, Dubai Media City, Dubai International Financial Centre, and other projects to provide a platform for specialised companies to establish their regional headquarters in Dubai, have generated wide publicity in global media coverage, viewing Dubai as a prominent city in the Middle East (Abdulla, 2006; Bagaeen, 2007; Balakrishnan, 2008; Coombe and Melki, 2012).
Dubai was considered as an exceptional case in a region that is known for its conservatism both economically (oil-dependent economies) and culturally (Abdulla, 2006). Observations and questions were made as to how this small city with its modest natural resources, ‘less than 5 per cent oil-dependent’, and human capital resources could outperform, in terms of economic diversification as well as urban and administrative modernisation, the biggest and wealthiest oil-dependent neighbouring Arab countries (Pacione, 2005; Abdulla, 2006). This was manifested by the emirate’s ability to expand and diversify its basic traditional economy, attract foreign investment and tourism, and compete with international players in selective industries including logistics, port operations, construction, tourism and financial services; Dubai is the third largest re-exporter worldwide after Hong Kong and Singapore (Elsheshtawy, 2004; Davidson, 2008; Hvidt, 2009). There are frequent references in place branding and marketing journals and academic studies ascribing various titles to the Dubai model: ‘a star in the east’, ‘brand Dubai’, ‘the world’s fastest growing global city’, ‘premier trading center’, ‘intercontinental hub’, ‘trendsetter city’, ‘Dubai Inc’, ‘global city’, ‘Gulf tiger’, ‘economy of fascination’, and ‘a booming metropolis’ (Hirst, 2001; Abdulla, 2006; Bagaeen, 2007; Balakrishnan, 2008; Davidson, 2008; Schmid, 2009; Coombe and Melki, 2012; Govers, 2012). However, the Dubai model of economic development has been under-studied and has hardly received any academic coverage; most of the information about Dubai’s economic development can be obtained from media coverage and business literature (Hvidt, 2009).

Although the global financial crisis of late 2007 that started in the United States of America affected banks, financial institutions, global financial markets and almost all economies, it has different meanings for different countries depending on the extent to which the country is integrated into the world economy. Those less integrated Middle Eastern economies remained sheltered during the global crisis. However, this was not the case for the open markets and globally integrated economies, including that of Dubai which in 2009 experienced a negative GDP growth, of 2.7 per cent, for the first time in twenty years (Central Intelligence Agency, 2013a; Dubai Statistics Center, 2012a). The freeze in the global credit markets, lack of access to liquidity and deflation of asset prices globally and locally exposed Dubai to a depression in real estate prices, accompanied by the inability of government-related entities (GREs) to meet their due financial obligations. As a result, many challenges and concerns have been raised questioning the sustainability of the Dubai model of economic development and the viability of the emirate’s economic managerial practices.

Social scientists argue that understanding the construction of markets and economies requires studying and examining the associated contextual factors of the place in terms of its historical, political and cultural dimensions (Callon, 1998; Scott, 2000a; Du Gay and Pryke, 2002; Slater, 2002; Warde, 2002; Law, 2002; Pryke and Du Gay, 2007; Amin and Thrift, 2007). Hence, a multidisciplinary review of the literature is required in order to analyse and explain any given
economy in today’s dynamic capitalism (Clark et al., 2000; Sheppard, 2000a; Scott, 2000b; Peck, 2000; Du Gay and Pryke, 2002). Accordingly, the Dubai model of economic development can be better understood by studying not only the economic landscape but also the role and influence of the political, institutional and socio-cultural framework of the UAE. Moreover, the financial crisis of late 2007 and its impact on Dubai have raised further questions about the complexity of Dubai from a socio-economic point of view. This makes Dubai a multi-faceted case, which is difficult to analyse within the boundaries of traditional economics, which ignores cultural and social dimensions that not only influence but also shape a given economic landscape (Zukin and DiMaggio, 1990; Crang, 1997; Swedberg, 1997; Martin, 1996, 2000; Sheppard et al., 2004; Leyshon et al., 2011).

1.3 Scope of the Research

This doctoral research presents an empirical case study of the Dubai model of economic development in light of the global financial crisis of late 2007. The Dubai case study is analysed using the multidisciplinary literature of economic geography and cultural economy as a suitable alternative to the discipline of mainstream economics in order to elicit a thoughtful interpretation of the Dubai economic model and how the economy of the city-state works within the state’s political, institutional and socio-cultural environment. Epistemologically speaking, this research falls within the constructivist-interpretive paradigm that enables in-depth investigation on how the reality of Dubai economic development is constructed. Given the limited academic coverage assessing the Dubai economic model, this research examines Dubai as a case study and therefore attempts to fill the gap in the literature on the Dubai model. It involves analysis of both statistical macro-economic data and a series of 56 in-depth elite interviews with government officials, senior managers in banks and financial institutions, the private non-financial sector, and known academics in the UAE. Furthermore, it critically discusses and analyses empirical outcomes using a unique approach adopted from a multidisciplinary framework of cultural economy and economic geography, which aims to assist policy makers in developing long-term sustainable economic development.

1.4 Research Aim and Objectives

This research aims to analytically study, explain and assess the Dubai model of economic development using the literature of economic geography and cultural economy. The purpose of the research is to elicit a comprehensive understanding of the Dubai model using the theoretical-analytical framework of cultural economy to explain the government’s efforts to attract FDI and make Dubai a recognised global city. The research critically investigates the economy of Dubai before and after the global financial crisis of 2007 in order to examine whether the model is sufficiently robust to ensure long-term economic sustainability and growth. Dubai’s association with the local and global communities is worth researching since Dubai is
actively striving to become a global city while also operating within the political and socio-cultural framework of the federal government of the United Arab Emirates.

The examination of Dubai as a case study attempts to achieve several objectives, academic as well as identifying critical outcomes that can be translated into pragmatic economic policies. The objectives are as follows:

a) A critical review of the literature to establish a broad understanding of the economic emergence of Dubai, the economic structure and performance of the city-state, and the extent of the impact of the global financial crisis of late 2007 on the economy of Dubai. Moreover, the literature on the UAE’s political and socio-cultural environment will be reviewed. This will form an essential foundation to explain the Dubai economic development and understand interdependencies between economic, political and socio-cultural contexts.

b) An empirical investigation of the Dubai economic development using the multidisciplinary literature of cultural economy, economic geography and managerialism as a theoretical and methodological approach to analytically explain how narratives and performance function at a macro-economic level.

c) An assessment of the Dubai economic development in light of the global financial crisis of 2007 and its impact on the economy of the city-state, through in-depth elite interviews with key stakeholders in the Dubai economy, including government officials, senior managers of banks and financial institutions, and the private non-financial sector.

d) An exploration and explanation of the role and influence of the political and socio-cultural contextual factors of the UAE on the Dubai economic development based on empirical data from in-depth interviews with academic scholars.

e) The provision of pragmatic recommendations, based on the outcome of the empirical investigation and assessment, that could assist the city-state’s policy makers in developing economic policies for long-term sustainable development.

1.5 Research Questions

In order to achieve the identified objectives of this doctoral research, this study attempts to answer the following research questions:

a) How do the elements of Dubai’s narratives and image, development initiatives and actual economic performance interact in the environment of financialized capitalism?
b) How robust and sustainable is the Dubai model of economic development?

c) How is the Dubai model influenced by the cultural and political context of the UAE?

The first research question emerges from the early stage of the researcher’s personal observation and engagement in the Dubai development path; this initially drew the attention of this study to the developmental process of Dubai, combined with government efforts to transform the economy, establish development initiatives, market its urban landscape and tell its story to the international market in order to build and project an image of the city-state globally to reach global corporations and capital. Hence, Dubai has experienced tremendous growth in global business media coverage (Abdulla, 2006; Coombe and Melki, 2012; Govers, 2012). This observation evolved into exploring and suggesting a unique methodology to study, explain and investigate the three elements that define the story of Dubai: the active role of the government to competitively brand and promote the image of the city-state; the economic initiatives and whether they are in line with the narrated and envisioned image the government attempts to project; and the economic performance of the city in terms of GDP, FDI and other economic indicators. Understanding how these three elements fit together will lead to a comprehensive understanding of the Dubai model as well as highlighting any discrepancies.

In order to answer the first question, the multidisciplinary literature of economic geography, cultural economy and managerialism will be considered to study how cities’ behaviours and practices are shaped by what Boltanski and Chiapello (2005) explain as ‘the new spirit of capitalism’; e.g. how city branding, marketing and other managerial practices have been borrowed from corporate managerial literature and adopted into economic practices in the present-day dynamic capitalist world (Porter, 1990; Jessop and Sum, 2000; Thrift, 2001; Clark and Tracey, 2004; Vietor, 2007). Moreover, the literature of cultural economy and financialization introduced and discussed by Thrift (2001), Du Gay and Pryke (2002), Amin and Thrift (2007), Froud et al. (2006) and Erturk et al. (2008) will be applied as a theoretical-analytical framework and a methodological approach to investigate the case study of Dubai economic development. This study intends to adopt cultural economy-financialization frameworks, originally developed for giant companies, to the city-state, as it seems to be appropriate for the case of Dubai. This is because, first, a giant company such as General Electric (GE) can be as big as the Dubai economy; and second, countries and cities tend to behave as corporations in today’s financialized capitalism. This will be discussed in detail in chapter 2 and will be critically examined in the empirical chapters of this dissertation reflecting the analysis of the case study of Dubai.

The second research question is a continuation of the first and is based on the challenges and concerns that were raised in questioning the status of the economy of Dubai in light of the
global financial crisis. This is because present-day financialized capitalism not only shapes the behaviours and practices of economies and companies, but it also creates asset bubbles that influence countries’ economies and corporations (Boyer, 2000; Stockhammer, 2004; Boltanski and Chiapello, 2005; Krippner, 2005; Froud, 2008; Erturk et al., 2008; Terranova, 2010; Paulre, 2010; Marazzi, 2010). In answering this question, statistical macro-economic data are studied to initially understand the magnitude of the impact of the global financial crisis on the economy of Dubai, followed by analysis of empirical in-depth elite interviews with government officials, senior managers in financial institutions and senior employees in private non-financial sector. This question aims, first, to identify lessons from present-day financialized capitalism to avoid the formation of asset bubbles; and second, to draw recommendations based on the outcome of the interviews, to assist the policy makers to set policies for sustainable economic development and constantly managed growth within a financialized capitalist world.

The third research question was formulated and considered based on the importance of studying the contextual factors in understanding any given economy (Callon, 1998; Scott, 2000a; Bridge and Watson, 2000b; Du Gay and Pryke, 2002; Slater, 2002; Warde, 2002; Law, 2002; Pryke and Du Gay, 2007; Amin and Thrift, 2007). The economy cannot be viewed apart from the political and cultural context, because these form the foundation in terms of public policies and the general environment that could either enable or hinder the economic developmental process. In answering this question, in-depth interviews are conducted with prominent scholars in the UAE who are familiar with the political and cultural structure of the state, in order to assess the role and the influence of the contextual factors in shaping the Dubai model; this is a gap in the literature that this part of the study aims to fill.

1.6 Contributions of the Research

This doctoral research presents a number of novelties. Theoretically, the study will fill the gap in the literature on the Dubai model of economic development by empirically examining and analytically explaining the case study of Dubai. It was noted that there are very few academic studies that attempt to understand and explain the economic development of Dubai, despite the fact that Dubai’s rapid growth and its remarkable economic initiatives have captured the attention of the international business media (Bagaeen, 2007; Hvidt, 2009; Balakrishnan, 2008; Coombe and Melki, 2012; Govers, 2012). Moreover, it will provide a thorough exploration and critical explanation of the role and influence of present-day dynamic financialized capitalism in changing the behaviours and practices of cities. This will demonstrate the tendency of governments to behave as corporations to gain global recognition, attract foreign investment and ultimately increase their national income. Also, there are very few academic studies on the UAE’s political and cultural framework, and hardly any analysis of the political and cultural factors has been made to explain how the economy of Dubai works. Thus, the originality of this research is that it will analyse the Dubai model through political and cultural lenses because, as
Callon (1998) and Pryke and Du Gay (2007) believe, the economy is not only influenced but is also shaped by the political and cultural structure of a given country.

Furthermore, the originality of this research is related not only to the subject of study, the Dubai model of economic development that is under-researched by academics, but also to the methodological approach that will be used to investigate the Dubai model. From a methodological standpoint, the theoretical multidisciplinary framework of the cultural economy, economic geography and managerialism to empirically investigate the Dubai model is a new and creative approach to explain case studies at a macro-economic level. Fligstein (1990), Scott (2000b), Du Gay (2002), Thrift (2002) and Froud et al. (2006) have considered the cultural economy approach to understand present-day financialized capitalism and its influence on the management practices of corporations. However, this study attempts to apply the frameworks of cultural economy and economic geography to the city-state of Dubai.

Besides the significance of this research in filling the gap in the literature on Dubai’s narratives and economic model, this empirical doctoral study attempts to answer many questions raised by practitioners and researchers regarding the sustainability of the Dubai model in the long term (Abdulla, 2006; Bagaeen, 2007; Hvidt, 2009). Thus, this study pragmatically attempts to contribute in assisting the concerned policy makers by the provision of recommendations for promoting sustainable economic development.

1.7 Thesis Structure

This doctoral thesis comprises nine chapters, as follows:

CHAPTER 1 (Overview) presents a brief introduction to the subject of the research, its scope and importance in filling the gap in the literature on the Dubai economic development. This chapter also explains the aim and the related objectives along with the questions that this study intends to answer. Moreover, the novelties of this study in terms of potential contributions theoretically, methodologically and with reference to policy implications are explained.

CHAPTER 2 (Literature and theoretical framework) provides a review of the relevant literature starting with exploring the available studies on the Dubai model. This is followed by a literature review including economic geography, cultural economy, global cities, financialization, corporate managerialism, competition states, place branding and marketing. The chapter concludes by explaining and justifying the adoption of the suggested multidisciplinary theoretical framework as a methodological approach to investigate the Dubai economic development.

CHAPTER 3 (Methodology) explains the research design and methodology for this study, the underlying philosophical and epistemological assumptions, and the research approach adopted.
It also includes detailed discussion of the research methods used to collect primary and secondary data, data management and analysis strategy, and ethical considerations to ensure the validity and reliability of the findings to meet the objectives of this research.

CHAPTER 4 (Socio-cultural and political context of Dubai) explores the available literature on the UAE’s political and cultural context, giving a historical overview of the UAE and describing the political structure as well as the cultural characteristics of the country with special reference to Dubai’s institutional and social structures.

CHAPTER 5 (Macroeconomic context of Dubai) is a review of the literature that addresses the economic emergence of Dubai, the economic structure and performance, mainly in the first decade of this millennium that witnessed unprecedented economic growth. The chapter also explores the economy of Dubai in light of the global financial crisis of 2007 and describes the extent of its effect on the economy of the emirate.

CHAPTER 6 (Fieldwork analysis) analyses the empirical research outputs from the fieldwork’s in-depth interviews in relation to research question number three, that investigates the influence of the contextual factors: political structure and cultural characteristics of the UAE and Dubai on shaping the Dubai model. This chapter provides analytical explanation of the federal-local governance framework as well as laws, policies and decision-making processes.

CHAPTER 7 (Fieldwork analysis) analyses the empirical research outputs from the elite in-depth interviews in response to the first two components of research question number one, that address the relation among Dubai’s narratives and development initiatives. The research findings are structured according to the theoretical framework adopted for the study. The chapter begins with explaining the narrated vision and motives of Dubai to embark on its rapid economic growth, followed by discussing the findings related to Dubai’s development initiatives.

CHAPTER 8 (Fieldwork analysis) complements the previous chapter by discussing the remaining empirical research outputs from the in-depth interviews in response to the third component of the first research question, Dubai’s economic performance, and research question number two enquiring about the sustainability of the Dubai economic development. The chapter includes an explanation of the research participants’ views on the effects of the global financial crisis on Dubai, followed by analytical assessment of the economic model of the city in light of the financial crisis.

CHAPTER 9 (Conclusion) presents conclusions drawn from the overall doctoral research, with specific reference to the research objectives, the theoretical framework, research approach and findings, as well as the research contributions. It discusses policy implications for managing sustainable economic development. Finally, it makes suggestions for future study.
CHAPTER 2 LITERATURE REVIEW AND THEORETICAL FRAMEWORK

2.1 Introduction

As mentioned in the previous chapter, this research is an empirical case study of the Dubai model of economic development that has been little researched by academics, despite the city’s remarkable growth in the last two decades from a modest economy of US $17.9 billion in 2001 to a sophisticated economy of US $86.7 billion in 2012 (Elsheshtawy, 2004; Abdulla, 2006; Sampler and Eigner, 2008; Davidson, 2008; Hvidt, 2009; Dubai Statistics Center, 2012a).

Understanding the transformation in the economic landscape and performance of any given country or city requires studying not only the economic activities but also the specificities of the location in terms of historical, geographical, cultural, political and institutional contexts (Clark et al., 2000; Krugman, 2000; Glaeser, 2000; Lundvall and Maskell, 2000; Scott, 2000; Slater, 2002; Pryke and Du Gay, 2007). This chapter starts with classifying the available academic studies on the Dubai model, followed by a comprehensive review of the relevant conceptual paradigms that constitute the contemporary multidisciplinary economic geography and cultural economy literature. This in turn provides the foundation to analytically study and assess the Dubai economic development which is the purpose of this doctoral research.

The review of the relevant literature will include the increasingly prominent economic geography as a sub-discipline of geography and the mainstream of economics (Clark et al., 2000; Scott, 2000b; Sheppard, 2000a), covering globalisation, global cities, competitive nations, entrepreneurialism, narratives and city images, place branding and marketing, and cultural economy. This is in addition to the literature on financialization of present-day capitalism that studies the growth of the importance and dominance of finance and capital markets on individuals, corporations and economies (Boyer, 2000; Martin, 2002; Krippner, 2005; Froud, 2006; Erturk et al., 2008). The chapter then turns to the formation and application of the theoretical framework as the methodological approach adopted to conduct empirical analysis and assessment on the Dubai model.

2.2 The Case of Dubai in Academic Studies

There have been very few analytical and empirical academic studies aiming to explain and assess the Dubai model of economic development. Media coverage and business literature used to be the only source of knowledge and documentation about the city-state. Recently, however, there has been an increase in the number of academic publications that attempt to study Dubai from different approaches. This observed growing number of academic studies
indicates the recent interest of social researchers in explaining Dubai from various perspectives. The academic studies can be categorised according to the approach they have adopted:


b) Urban landscape and planning approach by Elsheshtawy (2004), Bagaeen (2007) and Schmid (2009)

c) Place branding, marketing and destination development approach by Henderson (2006), Balakrishnan (2008), Govers (2012) and Coombe and Melki (2012)

d) Developmental framework:
   1. ‘Strategic trajectory model’ approach by Sampler and Eigner (2008)
   2. ‘Key development-process elements’ approach by Hvidt (2009)

The first category of academics studies Dubai’s political, economic and socio-cultural environment from a historical, observational and events documentation perspective. Al-Sayegh (1998) is a historian who presents the emergence of Dubai from a small merchant community during the twentieth century, documenting the fundamental role of the merchants in shaping the economic and political landscape of the city-state in the pre-oil era. Pacione (2005), however, starts his study by presenting the origin of Dubai in the eighteenth century and documenting its history, and its economic, social and urban evolution, along with identifying the recent government-initiated projects. Abdulla (2006) observes the journey of Dubai in its transformation from a local Arabian city to a global city-state. Davidson (2008) provides a historical overview of Dubai, documents its early and recent economic development, and anticipates the challenges that might face the city-state.

The second category of scholars examines the urban landscape and planning of Dubai. Elsheshtawy (2004) addresses the historical origins of the city-state, followed by documentation on its rapid urban expansion. His study was accompanied by a discussion of the urban identity of the emirate that created an image that was emulated by other cities in the Arab region. Bagaeen (2007) also focuses on Dubai urban planning and argues that the catalyst for the transformation of Dubai’s urban landscape was the government’s decision to allow expatriates to purchase property. Schmid (2009) examines Dubai’s urban expansion through a conceptual framework based on urban symbols and themes, to explain the themed urban landscape of the city-state.

The third category of academic publications examines Dubai as a case study for place branding, marketing and destination development. Henderson (2006) presents Dubai using tourism literature to illustrate the important factors in destination development: stability, government tourism policy, accessibility, amenities, attractions and promotion. Similarly, Balakrishnan (2008) uses Dubai as a case study to explain some elements of successful destination branding and
marketing, starting with setting a strategic vision, to identifying the stakeholders, developing a portfolio of products, understanding the target customers and building an image that can differentiate the city-state from other tourist destinations. Govers (2012), however, studies Dubai based on global social media and news coverage to assess Dubai’s image and reputation in comparison to its rising competitors in the region. Coombe and Melki (2012) introduce an empirical case study of the role of global media in mediating Dubai’s image in London, New York and Singapore; the news media served as a source of substantial information, although of varying importance, to the surveyed professionals who in turn viewed the image of Dubai as consistent with prominent newspaper headlines about the city.

The fourth category of academic studies comprises Sampler and Eigner (2008) and Hvidt (2009), the only studies that have attempted to place Dubai in a broader developmental framework. Sampler and Eigner (2008) apply a so-called ‘strategic trajectory model’ to explain how Dubai achieved its rapid growth through the phases of asset creation, asset acceleration, asset leverage, asset harvesting and asset globalisation. Their study concludes by drawing lessons that can be transferred from Dubai and applied to organisations in both public and private sectors. Hence, this approach focuses on studying the Dubai model from a management point of view and does not provide a comprehensive explanation of the overall Dubai model of economic development. On the other hand, Hvidt (2009) explains the development path of Dubai by outlining the government policies and the key development-process elements of the emirate. His study emphasises the significant role of government in pursuing economic growth to catch up with developed nations. According to Hvidt (2009), the key parameters characterising Dubai’s development path are: government-led development, fast decision making that led to fast development, a flexible labour force from various countries, bypassing industrialisation and creating a service economy, internationalisation of service provision, creation of investment opportunities, being a prime mover in supply-generated demand such as the high-capacity airport, sea ports and real estate, market positioning via branding, and development in cooperation with international partners in information technology, architect design, healthcare, tourism and other sectors.

Having explored the available academic studies examining Dubai from different perspectives, it can be argued that no study provides a comprehensive analytical understanding of the overall Dubai model of economic development. Moreover, to the best knowledge of the author of this thesis, there have not been any studies to explain the Dubai model by taking into account the contextual political and cultural factors. Nevertheless, the financial crisis that hit the global economy in late 2007 raised challenges to the Dubai model. The present research therefore seeks to fill the gap in the literature on the Dubai model of economic development by conducting an empirical case study of Dubai in light of the global financial crisis and taking into account the associated contextual factors as essential elements for understanding the economy.
Bridge and Watson (2010, 2011) suggest using a multidisciplinary perspective to broaden understanding of the breadth and diversity of cities in the twenty-first century. This invites a mix of theories and forms of empirical enquiry to analyse urban processes and experiences. Hence, in order to provide an analytical understanding and examination of the Dubai economic development in today’s dynamic capitalism, a special theoretical framework based on multidisciplinary literature must be defined. This is because the author of this thesis thinks that there is no traditional academic literature which is suitable for studying in-depth the present-day model of Dubai; this is largely because of the multi-faceted nature of the Dubai phenomenon, which is difficult to analyse and understand within the boundaries of traditional discipline of mainstream economics, which ignores cultural and social dimensions and conditions that not only influence but also shape a given economic landscape (Zukin and DiMaggio, 1990; Crang, 1997; Swedberg, 1997; Martin, 1996, 2000; Sheppard et al., 2004; Leyshon et al., 2011).

Thus, the challenge has been to develop a methodological approach to understand the economic landscape of Dubai. Moreover, the 2007 global financial crisis and its impact on the economy of Dubai have raised further issues requiring the Dubai model to be addressed from a socio-economic perspective. Therefore, this research will develop a conceptual framework using the multidisciplinary literature of economic geography, cultural economy and corporate managerialism as a comprehensive alternative to the discipline of mainstream economics, in order to draw a thoughtful interpretation of the Dubai economic development, and explain how the economy of the city-state functions within the political, institutional and cultural environment. The following sections will present the related literature that will form the foundation of the theoretical framework for investigating and explaining the case study of Dubai.

2.3 Cultural Economy

The growing engagement of academic scholars with contemporary cultural and social theories over the second half of the twentieth century signals that economic geographers are favouring contextual explanations in studying societal processes in relation to economic landscape construction (Plummer, 2000). While the discipline of mainstream economics is not concerned with cultural and social constitution of economies (Callon, 1998), the literature of cultural economy is largely based on the assumption that economics are performed and enacted by the discourses of which they are supposedly the cause (Du Gay and Pryke, 2002). The advantage of economic geography over mainstream economics is that the latter seems to distance itself from spatial issues and cultural contextualisation in the search for esoteric abstraction (Clark et al., 2000; Miller, 2002). This will be discussed in more detail in section 2.4. From this view, the literature of cultural economy is necessary because understanding a state’s discourses will enrich the knowledge of how the economy of any given location works (Pryke and Du Gay, 2007). Crang (1997), Slater and Tonkiss (2001), Slater (2002) and Allen (2002) stress that
culture and economy are related and interdependent, and thus cannot be viewed as separate categories. Hence, cultural economy provides important explanatory advances in understanding the economy and the way the organisation of the economy is built up because it takes a cultural turn when conducting economic analysis (Du Gay and Pryke, 2002; Law, 2002; Allen, 2002; Slater, 2002).

In this sense, the focus of cultural economy is on the practices and discourses that produce economically relevant activities (Pryke and Du Gay, 2007). Thus, the economy is influenced by the social and cultural practices and habits, emotions and aspirations of the actors and participants in economic growth (Callon, 1998; Amin and Thrift, 2007). This means that cultural analysis has become central to understanding the operation of the economy, as economic activities are culturally embedded (Warde, 2002). Accordingly, the local discourse of any given country or city has an influence in shaping the character of the economy (Scott, 2000a). Du Gay and Pryke (2002) argue that the cultural economy draws attention to the influence of the economic discourses in framing and shaping the economy. They further explain that economic discourse is not a matter of beliefs, values and symbols but rather a form of representational practice that constitutes the space within which economic action is formatted. Therefore, it is necessary to explain the spatial and economic discourses in order to understand economically relevant practices (Law, 2002). Additionally, it is important to acknowledge that each city has a unique economic and development trajectory as a sequence of its historical, geographical, cultural and political environment (Sheppard, 2000b). Accordingly, every economy is embedded in a set of national regulatory systems, institutions, traditions and norms (Martin, 2000). Moreover, the competitive aspect of the state’s behaviour is deeply embedded, politically, socially and culturally (Dicken, 2004).

2.4 Economic Geography

Since the 1970s, a growing body of literature has indicated that economic geography has increasingly become the central intellectual discipline for understanding the dynamics of economic landscapes (Bryson et al., 1999; Barnes and Sheppard, 2000a; Coe et al., 2007). There have been huge changes affecting the economy and society in general, such as deindustrialisation and the rise of information technology and globalisation, which require explanation of why and how economic landscapes are changing (Bryson et al., 1999; Barnes and Sheppard, 2000a; Clark et al., 2000; Knox et al., 2008). Issues including the growth of cities and regions, manufacturing and industrial systems, spatial development, location problems, transformation of economic landscapes, transport networks, spatial dynamics of trade, are of great concern for governmental policy makers, as well as for a growing number of geographers and economists who seek to explain the changes in the urban and regional landscape after the post-1945 industrial boom in the USA and Western Europe (Scott, 2000b; Barnes, 2011). Over the second half of the twentieth century, and increasingly in this millennium, economic
geography has been seen as an alternative to the discipline of mainstream economics as scholars have widely criticised the economists’ approach to spatial analysis. They have instead suggested economic geography as a new framework of analysis, combining elements of both economics and geography, to analyse the evolving economic landscape (Alonso, 1960; Dow, 1997; Clark, 1998; Bryson et al., 1999; Martin, 1999, 2011; Krugman, 1991, 2000; Scott, 2000b; Plummer, 2000; Coe et al., 2007; Leyshon et al., 2011; Barnes, 2011).

The economic geography literature argues that the dynamics of economic processes are geographically constituted; hence the operation and organisation of the economy is embedded in and across geographical space at local, national, regional and global levels, acknowledging that the economy is deeply rooted in social, cultural, political and institutional processes (Krugman, 1991; Martin, 1994; Peck, 2000; Sheppard et al., 2004; Coe et al., 2007; Dicken, 2011). While, mainstream economists treat economic processes separately from other societal processes, geographers conceive the economic landscape as a product of societal processes that cannot be theorised and represented by mathematical and computational models (Sheppard, 2000a; Barnes and Sheppard, 2000; Coe et al., 2007). Accordingly, the economist Krugman (1991, p.8) argues that mainstream economists should consider economic geography because, first, ‘space matters’ in economic analysis; second, the location of economic activities within countries is an important subject in its own right; and third, economic geography provides an intellectual and empirical laboratory for the study of the economic landscape. Similarly, Porter (1990, p.791) argues that economic geography should be ‘a core discipline in economics’. Hence, the attempt to research the economy in relation to the spatial configuration cannot be satisfied by the economists’ mathematical theories and quantitative methodological approaches (Martin, 1994; Plummer, 2000; Barnes, 2001; Coe et al., 2007). This is because the mathematical modelling approaches assume that the world can be explained and presented by mathematical logic, a controversial issue as it does not reflect the highly complex construction of modern economies and the real world in general (Sheppard, 2000a; Coe et al., 2007).

In contrast to the orderly and mathematically regularised world of mainstream economics, economic geography views the economy as an outcome of dynamic, complex and spatially grounded processes (Krugman, 1991; Martin, 1994; Peck, 2000; Coe et al., 2007). As a result, since the last few decades of the twentieth century there has been a movement away from the dominance of the positivist methodology and the econometrics approach of mainstream economics towards a more qualitative approach of spatial economic analysis, such as case-study and in-depth interview methodologies that attempt to interpret the dynamics governing the structure of the economic landscape (Krugman, 1991; Dow, 1997; O’Neill, 1997; Clark, 1998; Martin, 1999; Peck, 2000; Sheppard et al., 2004). This is in addition to the rise of ‘socio-economics’ as an intellectual practice that is concerned with the processes of social and economic governance and the role of institutions in restructuring, regulating and sustaining economic development and growth in a capitalist economy (Hodgson, 1998; North, 1990;
The literature of economic geography is considered to be a hybrid discipline of the study of geography and the field of economics, predominantly concerned with understanding the fundamental economic activities of ‘production, consumption and distribution’ and the spatial configuration and analysis of firms, industries and states within the contemporary global economy (Hanink, 1997; Wheeler et al., 1998; Clark et al., 2000; Scott, 2000b; Sheppard, 2000a). Economic geography focuses on understanding the characteristics of economic activities rather than looking at aggregate outcomes summarised by statistics (Sunley, 2000). In this sense, contemporary economic geographers seek to study and explain the economy in relation to societal, political, cultural and environmental processes; because the mechanisms of the economic landscape not only influenced but are also shaped by the social, cultural, political and institutional conditions of the given country or city (Zukin and DiMaggio, 1990; Crang, 1997; Swedberg, 1997; Martin, 1996, 2000; Sheppard et al., 2004; Leyshon et al., 2011). The goal of economic geography is to discuss a city’s economy within the wider context of the spatial, national or world conditions in order to understand the forces that pull together or push apart economic activities, since the structure of an economy is shaped by the contextual forces (Krugman, 2000; Coe et al., 2007).

Although economists and geographers deploy different research approaches and look at economic geography in different ways reflecting their own rooted disciplinary traditions and norms (Sheppard, 2000a; Wheeler et al., 1998), economic geographers and contemporary mainstream economists share a central conviction about the importance of space, as well as common research concerns focusing on spatial economic analysis and issues involving spatial and locational aspects of economic life (Scott, 2000b; Glaeser, 2000). The relationship between economic geography and economics therefore can be demonstrated by Figure 1.

![Figure 1: The relationship between economic geography and economics](Taaffe, 1974, p.9. cited by Wheeler et al., 1998)
The field of economic geography has been constantly responsive to changes in global economic conditions (Scott, 2000b; Barnes and Sheppard, 2000a; Thrift and Olds, 2004). Hence, the scope and scale of contemporary economic geography is vibrant and continuously evolving with debates and arguments from a diverse number of scholars: geographers and urban planners, economists, sociologists, anthropologists, historians, political scientists and business theorists, who share the same research interests. These interests are contemporary issues of profound relevance to globalisation, the structure of economic systems, business strategy and innovation, global economic change, spatial economic development, growth and decline of economies, understanding changes in the economic landscape and performance through not only researching the economic activities but also the role and dynamics of states’ and cities’ culture, institutions and regulations in present-day global capitalism (witness Porter, 1990; Krugman, 1991; Martin and Sunley, 1996; Clark, 1998; Cooke and Morgan, 1998; Scott, 1998; Fujita et al., 1999; Clark et al., 2000; Scott, 2000b; Peck, 2000; Glaeser, 2000; Martin, 2000; Lundvall and Maskell, 2000). Therefore, economic geography is a philosophically diverse discipline debating a variety of intellectual orientations, theoretical concepts, methodological approaches and empirical research practices that seek to describe and understand the present globalised world (Scott, 2000b; Peck, 2000; Barnes and Sheppard, 2000a; Martin, 2000; Sheppard et al., 2004). Despite the multidisciplinary nature of the field, Clark et al. (2000) argue that the diverse scholars share three basic intellectual pillars. First is the recognition of the diversity of economic life, spatial variation and the heterogeneity of the economic landscape; second is the commitment to study and understand the processes of change in and across the economic landscape; and the third pillar is the commitment to explain the geographical and institutional organisation of economic activities based on the increasing acknowledgement of the particularities of regions’ cultures, society, institutions and regulations.

The multidisciplinary literature of economic geography continues to evolve to reflect the changes in global economic reality; this in turn not only enriches the intellectual landscape but also sees the emergence of a range of sub-disciplines to provide their own theoretical frameworks. The following sections will discuss the forces affecting and further shaping the world economic landscape.

2.5 Dynamics of Economic Landscapes Under Globalisation

One of the remarkable characteristics of the current era is globalisation, which is viewed as a long-standing research interest in economic geography (Dicken, 1986; Peck, 2000; Clark et al., 2000; Barnes and Sheppard, 2000). Since the 1990s, and increasingly in the twenty-first century, a greater share of manufactured goods and services are traded internationally, indicating the global nature of the present-day world (Wood and Roberts, 2011). The concept of globalisation reflects a fundamental transformation in the way national economies and societies
are organised. Giddens (2002) argues that globalisation is a revolutionary era that has resulted in a profound shift in life circumstances. From an economic perspective, globalisation primarily involves issues around places of flows and control of production (Barnes and Sheppard, 2000). Dicken (2011) explains that globalisation refers to the structural changes that are occurring in the way the world economy is organised and integrated, based on neo-liberal and free-market ideology. Robertson (1992) and Harvey (1996) conceptualise globalisation as a ‘time-space compression’ leading to the intensification of the international flows of capital, goods, know-how, value and power, whereas Giddens (1990, p.64) views it as ‘the intensification of world-wide social relations which link distinct localities in such a way that local happenings are shaped by events occurring many miles away’. Hence, places are increasingly becoming integrated into economic processes and transactions that operate beyond the scale of the locality and the region (Coe et al., 2007). This suggests that the present-day world economy is profoundly influenced and shaped by the hyper-mobility of capital, firms, goods, people and knowledge across continents and national boundaries (Sassen, 1998; Siebert, 1999; Swyngedouw, 2000a; Harvey, 2001; Strange, 2001; Castells, 2001; Brown, 2001; Halliday, 2011; Short, 2004).

For economic geographers, the main expression of globalisation and the shift in the nature of the world economy is the rise of multinational corporations and the rapid expansion of international trade and financial exchange worldwide (Kenworthy, 1997; Wood and Roberts, 2011; Sassen, 2001, 2006). This includes the significant development of international financial networks that take the shape of rapidly growing international banks, which handle a vast range of financial products and services for multinational corporations, governments and individuals; as well as the prominent emergence of international financial markets and centres that serve as hubs within the network of global finance, such as London, New York and Zurich (Swyngedouw, 2000; Wood and Roberts, 2011). Since the beginning of this millennium, Dubai has positioned itself to become the financial hub of its region (Sassen, 2006). Moreover, international trade and FDI are seen as features of globalisation and indicators for integration of states and cities into the world economy (Kenworthy, 1997; Wood and Roberts, 2011).

Globalisation has transformed the economic landscape of the world and the way in which countries and cities operate in present-day global capitalism to maintain the flow of economic and financial transactions to their territories (Clark et al., 2000; Scott, 2000b, 2001; Sassen, 2001; Thorns, 2002; Clark and Tracey, 2004; Robinson, 2006). Moreover, globalisation has raised great political and economic concerns, especially with regard to the state’s ability to structure, regulate and shape national economic organisations and activities (Boyer, 1996; Wood and Roberts, 2011). This is because what happens within any city or locality determines its role in the global system of production, distribution and consumption. Also, globalisation and the interdependence of the world economy suggests that the economic and social welfare of countries and cities depends on interactions on a global scale (Knox et al., 2008).
The volume and speed of global linkages in the present-day world are unprecedented in terms of a global economic boom and an immense increase in the intensity and extent of global economic integration; this has raised new challenges, opportunities as well as threats, due to the increasing interconnectivities between the economies of different countries (Wood and Roberts, 2011; Sunley, 2011; Short, 2004). It is repeatedly declared that the world is becoming smaller; this is one of the main connotations of globalisation, partly due to the revolution in electronic communication that has transformed the speed by which transactions and information spread (Clark et al., 2000; Dicken, 2011; Peet et al., 2011). It has also been claimed that globalisation has made the world borderless; nation-states are no longer significant economic units in today's global economy, which suggests the end of geography and the integration of capital, technology and people (Ohmae, 1995; Friedman, 1999; Clark et al., 2000; Dicken, 2011). Moreover, economic globalisation has been viewed as a result of the duality of national-global forces where the global gains advantages and power over the nation state (Sassen, 1998). In this view, globalisation is a force that is neither stoppable nor controllable by individual states (Coe et al., 2007). However, although there are undoubtedly globalising forces affecting the economic landscape (Sassen, 1998), it is also continuously a differentiated world where economic activities are influenced by multiple geographies and localities instead of a single global geography (Kenworthy, 1997; Barnes and Sheppard, 2000; Clark et al., 2000; Thorns, 2002; Dicken, 2011). Hence, globalisation has created complex patterns of hybrids and heterogeneity rather than a common standard of homogeneity; this suggests the emergence of the notion of 'glocalisation' that takes the geographies of local and global forces and organisations into account when studying cities and states (Brenner, 1998; Swyngedouw, 2000b; Thorns, 2002; Short, 2004).

Moreover, governments are the authors of and not just respondents to globalisation because they suggest, facilitate or restrict the free flows of trade and transactions into their geographical territories (Boyer, 1996; Coe et al., 2007). Governments manage their national economies by pursuing a wide range of economic policies linked to trade, industry and investment in order to promote and shape economic development (Kenworthy, 1997; Coe et al., 2007). Globalisation, therefore, is a complex set of interconnections operating between different parts of the world; it has introduced specialised landscapes for financial and economic production, management and distribution in the modern world (Clark et al., 2000; Dicken, 2011). This suggests that the dynamics of globalisation have created a new form of spatial structure and locations with local differentiation as important economic and financial nodes in the global economy (Sassen, 1998; Clark et al., 2000). These strategic economic and financial nodes are called ‘global cities’.

### 2.5.1 The Emergence of Global Cities

Cities are viewed as strategic places in the analysis of economic globalisation, being the sites for much wider economic processes (Sassen, 1998, 2006; Bridge and Watson, 2000b;
Robinson, 2006). Cities are also the spatial expression of sites of complex local and global interactive and interconnected activities that produce a multiplicity of social, cultural, political and economic spaces and forms (Bridge and Watson, 2000b). Whereas it has been claimed that the twentieth century was the age of nation states, the twenty-first century is argued to be the era of cities, and more precisely global cities, that are playing a significant role in the global economy (Sassen, 1998; Abdulla, 2006). Sassen (1998) notes that cities are typically embedded in the economies of their nation and region; however, cities that are strategic sites in the global economy tend to become differentiated from their region and even their nation. This suggests that some cities are increasingly serving as essential organising nodes in today’s global economic system, rather than simply being linked into local and national systems (Friedmann, 2002; Robinson, 2006; Brenner and Keil, 2006).

It has been argued in urbanisation studies that economic globalisation changed the role and organisation of cities from industrial to post-industrial economies (Soja, 1995). During the first half of the twentieth century, industrial activities were the economic base for generating wealth for most of the major cities in the world (Thorns, 2002). However, the decline of manufacturing industries and the reallocation of industrial activities to new regions and cities in the latter half of the twentieth century created severe economic and social problems in the post-industrial economies. These required the post-industrial cities which formerly relied heavily on manufacturing to develop strategies to stimulate and attract trans-national corporations and international tourists (Abrahamson, 2004). This led to the emergence of new forms of wealth creation accompanied by a change in the spatial structures within the former industrial cities. Hence, it was believed that manufacturing industry has declined as the key engine for wealth generation and growth in the post-industrial economies, replaced by new activities that are centred around information, financial services, recreation and tourism (Castells, 1996, 1997, 1998; Lash and Urry, 1987, 1994; Zukin, 1991; Sassen, 2001, 2006; Thorns, 2002).

It has also been argued that today’s global economy is an era where the financial and information services, which are globally rather than nationally organised, produce wealth and super-profits over industrial and manufacturing services; for example when foreign capital and multinational corporations flow into a city, they target the commercial and financial sectors (Thorns, 2002; Abrahamson, 2004; Sassen, 2006). As a result, sectors connected to international trade, finance and tourism are likely to benefit directly. This is typically followed by an increase in property values, since the real estate sector benefits from the rise in demand for commercial and residential properties, due to the growing number of companies in a given city (Abrahamson, 2004; Sassen, 2006). Therefore, the global cities are sites for immense concentrations of economic and financial significance in the global economy, following the decline of traditional manufacturing cities such as Manchester and Birmingham in the UK and Detroit in the USA (Sassen, 1998, 2001; Thorns, 2002; Abrahamson, 2004). The importance of global cities emerges from the demand for central places with specialised services that can
provide economic integrated operations as well as facilitate global financial and trade conduction and management (Sassen, 1998, 2001, 2006).

The literature on global cities has been widely used in studies of major cities that are viewed as global financial centres and sites for global transactions, financial and economic agglomeration, and as headquarters for multinational corporations (Brenner and Keil, 2006). The notion of global cities, or as Hall (1984), Friedmann (1986) and Knox and Taylor (1995) call them, ‘world cities’, refers to strategic locations for the management of international transactions in the global economy, and the supply of the advanced services and financial operations that are key factors in managing global economic operations (Sassen, 2006; Cohen, 1981). However, Short (2004, p.2) makes a distinction between world cities and global cities: ‘world cities are large cities linked loosely to a global urban network of flows of people, goods, ideas, practices and performances, global cities are in contrast the core of the global network’. Hence, global cities are centres for servicing and facilitating global transactions, trade, investment and corporate headquarter operations (Sassen, 1998). Moreover, these global cities are strategic sites for the present-day leading economic sectors and specialised professional activities, primarily banking and finance, the law, accountancy, telecommunications and computing, and consultancies (Friedmann and Wolff, 1982; Sassen, 1998, 2001, 2006).

Economic globalisation has created a new economic geography of centrality, and its most powerful form is the presence of major international financial and business centres such as London, New York, Paris, Tokyo, Hong Kong and Singapore. Since the beginning of this millennium, Dubai has positioned itself in its region as a business and financial hub (Sassen, 1998, 2006; Swyngedouw, 2000; Wood and Roberts, 2011). A key focus in economic globalisation is the mobility of capital that shapes economic organisation in the global economy (Sassen, 1998, 2001, 1996; Brenner and Keil, 2006; Knox, 1995). One of the economic measures of global cities is the concentration of capital, economic and financial activities and transactions; these cities are headquarters to major banks and financial institutions, and multinational corporations (Abrahamson, 2004). According to Short (2004), the global cities have a certain functional nature; their attributes are illustrated in Figure 2. First is economic attributes, which include the concentration of advanced services that facilitate the management and control of economic and financial operations; second is social attributes which include the various ethnicities and cultural diversity; and third is the network characteristics, being an important node in the global flows of transactions, goods, people and knowledge. These economic, social and network attributes can increase the spatial and social polarisation that is a feature of global cities (Sassen, 2001).
2.6 Dynamics of Economic Landscapes Under Growing Competition

It is widely accepted that firms, cities and states are not isolated in the twenty-first century, and hence they are profoundly subject to forces of global economic competition in today’s dynamic world economy (Clark and Tracey, 2004). Competition is a powerful discourse that influences and shapes the economic landscape and the spatial organisation of any given state or city, noting that competition occurs not only between firms but also between different places as a result of globalisation (Veitor, 2007; Sheppard, 2000b). International organisations such as the World Trade Organisation (WTO), the International Monetary Fund (IMF) and the World Bank have been seen as the main contributors who encourage competition by reducing barriers to international trade, eliminating political barriers to international flow of capital and lessening government regulation within a country and at its borders (Sheppard, 2000b). Therefore, the nature of the contemporary global economy urges states and cities to take on some of the characteristics of firms in terms of developing strategies to create competitive advantage (Dicken, 2004; Clark and Tracey, 2004). Increasing global economic competition between places has influenced the functionality of local economies and resulted in the emergence of what is known as ‘competitive cities’.

2.6.1 The Emergence of Competitive Cities

The literature of globalisation and global cities suggests that there is competition between cities for spatial allocation of economic activities and, increasingly, between global financial markets for the flow of transactions that have become an essential element in the present-day global economy (Clark et al., 2000). In the twenty-first century, globalisation is not only driving the integration of national and regional economies but is also challenging the state’s institutions, economic practices and ways of thinking about the organisation of the economy (Clark and
Countries and cities now compete for capital, technology, human capital and managerial skills in order to develop their national economy and raise their standard of living (Vietor, 2007). This is because it is generally believed that unrestricted free trade, capital and labour mobility, and market-driven capitalist competition, are economically and socially beneficial to societies (Sheppard, 2000b). As a result, states and cities have to create and promote their competitive advantage if they are to enjoy economic progress and prosperity (Porter, 1990; Sheppard, 2000b).

Competition is dynamic and requires a constant search for strategic innovation (Porter, 2000). Competitiveness refers to the capacity of companies, cities and states to grow and make profits in markets that are subject to international competition; this will be reflected in higher domestic income and living standards (Maskell et al., 1998; Clark and Tracey, 2004). Competitiveness is also a dynamic process by which firms and places promote competitive advantages to achieve on-going development and growth in productivity (Sheppard, 2000b; Sunley, 2000). From a macro-economic perspective, competitiveness is the process concerned with the enhancement of a country’s share in the global economy, where networks and innovation are seen as necessary conditions for national economic development and growth (Porter, 1990; Feldman, 1994; Clark et al., 2000; Vietor, 2007). Also, the notion of competitive cities is concerned with the state’s intervention as a key factor in its economic transformation and growth, intended to attract economic activities to its national territory (Cerny, 1997).

Natural geography, in terms of the favourable aspects of a location, such as the availability of natural resources or a good harbour, plays a role in the economic trajectory of any given state or city. However, the growth of the location is believed to be a process of self-reinforcement and the ability of the states and cities to create competitive advantages that make the initial advantages of the location unimportant compared to the promoted competitive advantages (Krugman, 2000). This suggests that in contrast to comparative advantage, competitive advantage proposes that localities that lack comparative advantage can still create local capabilities that can drive economic development and growth.

One of the prominent strategic theories in national competitive advantage is Michael Porter’s theory of clusters, which is defined as geographic concentrations of interconnected companies, specialised suppliers and service providers, firms in related industries, and associated institutions ‘such as universities and financial institutions’ in particular fields that are linked by commonalities and complementarities (Porter, 2000, p.253). Porter (2000) explains that clusters influence competition and competitive advantage in three broad ways: first, by increasing the productivity of firms or industries, because locating within a cluster can provide companies with access to specialised inputs and employees, access to the information and knowledge that accumulate within the cluster, access to complementary services, and access to institutions and public goods. Secondly, in increasing firms’ and industries’ capacity for innovation and therefore
productivity growth, their proximity allows them to learn early and consistently about new technologies, available services and marketing concepts. Thirdly, stimulating the formation of new businesses that support innovation and expand the cluster induces new businesses, especially company headquarters, to form within existing clusters instead of in isolated locations. It has been argued that the notion of clusters and agglomeration of companies can help cities to create local economic capabilities and competitiveness (Sunley, 2000; Porter, 1990). In this respect, Porter (1990) argues that such clusters should be the focus of urban economic policy as they are considered as a key to the development of competitive economy.

Furthermore, Porter (1990, 2000) explains the correlation between the productivity of companies and the productivity of the economy; he emphasises that unless companies become more productive, the economy itself cannot become productive. He continues that companies cannot function efficiently if there are binding constraints on competitiveness. For example, firms cannot operate effectively unless a high-quality transport infrastructure is available, and if there are heavy regulations and red-tape that require them to have endless dialogue with government. Therefore, a sound legal structure and stable and stimulating macro-economic policies are essential in creating the potential for economic growth. In this respect, government plays a key role in helping the country or city to compete, by strategically establishing distinctive advantages to attract international firms and foreign investment, through providing security and creating a conducive business, institutional, political, economic and social environment, through which people operate, interact and compete (Vietor, 2007).

2.6.2 The Emergence of Entrepreneurial Cities

Schumpeter (1983) defined entrepreneurship as the creation of opportunities for surplus profit through innovation by which entrepreneurial actions are the main mechanism in the process of economic development. Urban entrepreneurialism has been seen as a consequence of the broader shifts in the nature of the world capitalist economy (Hubbard and Hall, 1998). It has been noted that the concept of entrepreneurship has evolved from the management literature and expanded into the study of cities and states; for example, Hall and Hubbard (1998) emphasise that not only companies can be entrepreneurial, but also increasingly cities can be innovative and entrepreneurial in their urban policies and practices. Similarly, Harvey (1989) explains that capitalism has undergone a transformation from urban managerialism to urban entrepreneurialism, which means that governments have become increasingly preoccupied with the exploration of new ways to promote and encourage local development. Moreover, Jessop and Sum (2000) stress that the concept of entrepreneurship can be applied to states and cities to support economic innovation and foster national competitiveness.

The notion of urban entrepreneurialism asserts that in the contemporary unpredictable globalised economy, cities have to compete by pursuing proactive strategies to secure...
competitive advantage (Hubbard and Hall, 1998). Taking this view, Jessop and Sum (2000) propose three features of entrepreneurial cities. The first is that the entrepreneurial city pursues innovative strategies that aim to enhance its economic competitiveness and create conditions conducive to capital accumulation within the city. The second feature is that these strategies are explicitly formulated and pursued in an active fashion. The third feature is that the promoters of entrepreneurial cities actively market their cities as entrepreneurial. It is noteworthy that although the public authorities have a major role in organising entrepreneurial policies for the cities, the capacity to pursue these entrepreneurial strategies and innovative urban projects will depend on a strong political or authorised leadership (Parkinson and Harding, 1995; Clarke and Gaile, 1998; Le Gales and Harding, 1998). Moreover, pursuing the entrepreneurial strategies and projects requires engaging not only the government actors and the city/state institutions, but also acquiring coherent, collective and consolidated support from the broader city/state stakeholders: the political, economic, business and social actors (Jessop and Sum, 2000).

It has been argued that entrepreneurial competition between localities can promote national economic growth (Hall and Hubbard, 1998; Sheppard, 2000b). This is because the competition among places begins by favouring entrepreneurial activities (Leitner and Sheppard, 1998). In this respect, Jessop and Sum (2000) explain that cities can be competitive and entrepreneurial by promoting urban innovation in the following fields: first, the introduction of new types of urban places or spaces for producing, servicing, working, consuming and living; secondly, the creation of new methods of production as location-specific advantages for producing goods, services and other urban activities; thirdly, place marketing and promotion of the spatial image by enhancing the quality of life for residents and visitors; fourthly, enhancement of competitive advantage by finding new sources of funding and attracting investment; and fifthly, the development of status or position of the city, such as becoming a regional gateway or a hub.

2.6.3 City Images, Narratives, Place Branding and Marketing

One of the manifestations of entrepreneurialism and urban competition among city administrators is the effort devoted to enhancing the image of the city, translated into the process of branding and selling its attractiveness. In this way, global cities are represented by signs and symbols that emphasise their distinctive economic advantages (Hall, 1998; Short, 2004). This suggests that how cities are envisioned and imagined has an effect; therefore, cities are spaces of the imagination and representations through which urban planners envision and translate their plans into built environments, and then stimulate the imagination of the public by various marketing activities (Bridge and Watson, 2000a). Thus, the notion of urban marketing has gained increasing attention as a mean of enhancing cities’ images as well as their competitiveness (Paddison, 1993). Moreover, place branding and marketing is seen as a central component of urban entrepreneurialism, whereby most local governments are increasingly
allocating high budgets for the promotion of their city as a favourable, hospitable and vibrant environment for business and leisure (Barke and Harrop, 1994; Hubbard and Hall, 1998).

Branding and marketing have a long tradition in corporate managerial practice, adopted by entrepreneurial cities to project a positive image of themselves in today’s competitive global world (Hall, 1998). Moreover, urban marketing has attracted the attention of many disciplines in social sciences, tourism, leisure, urban planning and management (Kotler et al., 1993; Morgan et al., 2004; Hall, 1998). Place marketing and the story of a place, along with urban entrepreneurialism, have become fundamental not only for projecting images and landscapes of the city, but also for pragmatically contributing to the city’s economic development (Short and Kim, 1998; Jessop, 1998). Fretter (1993) asserts that place marketing has become more than merely selling the area to attract mobile companies, capital, investment and tourists; it can also be viewed as a fundamental part of guiding the development of the place in a desired fashion.

Cities increasingly market their urban projects and activities as there is no better advert for them than their own urban landscape (Crilley, 1993). Nevertheless, cities marketing can come in many forms, as cities take their shape through representation and the practices that construct them (Bridge and Watson, 2000a). It has been noted that the practice of branding and marketing includes storytelling, although neither companies nor governments can simply manipulate financial numbers in order to falsely support the reports that they are trying to convey to the public and investment community (Froud et al., 2006). This is due to the presence and the continued follow-ups of economic analysts and specialised business journalists. Therefore, as Gabriel (2000, p.136) states, ‘facts are not dissolved by stories but re-created through them’. Since the financial statements and numbers do not speak for themselves (Froud et al., 2006), companies put numbers together, rearranging and interpreting them in a storytelling pattern, not only to manage the value of companies, but also to constantly maintain the inflow of cash through retaining and attracting new customers. Similarly, countries and cities tend to enrich reality with meaningful stories to enable them to shape their image in the global economic community (Gabriel, 2000).

Storytelling in the business world empowers what Rosenzweig (2007, p.50) refers to as ‘the halo effect’ around organisations which use narratives as an effective corporate strategy. The halo effect can position companies and countries as standard examples that should be followed by others, as well as leaders in their respective industries or regions (Rosenzweig, 2007). Nevertheless, it is important to note that although the practice of urban branding, storytelling and marketing is a powerful tool and has its positive effects to promote any given city (Bridge and Watson, 2000a), the marketed images have to be translated into policies and projects in order to reap the fruits of these borrowed corporate managerial practices.
2.7 Dynamics of Economic Landscapes Under Capitalism

Besides globalisation, that has transformed the dynamics of the urban spaces, capitalism has been widely viewed as a force that plays a significant role in restructuring the world’s economic landscapes (Scott, 2000b; Knox et al., 2008). Capital is viewed by Harvey (2010) as the lifeblood that flows through the body of capitalist societies. At a macro-economic level, capitalism is largely concerned with capital accumulation where economic agents invest within a capitalist market with the aim of making a profit (Swyngedouw, 2000b; Coe et al., 2007; Harvey, 2010). Hence, a capitalist economy is based on the circulation of capital that is organised as an interlinked network of production, exchange and consumption mechanisms within the socially accepted goal of profit-making as a driving force (Swyngedouw, 2000b). Accordingly, economic growth is a process of accumulation of capital that is produced as a result of this circulation process (Swyngedouw, 2000b).

There are three fundamental features of capitalism as explained by Coe et al. (2007) and illustrated in Figure 3. The first feature is that capitalism is a profit-oriented system that requires a continuous search for growth and opportunities to create profits. The second feature is that the growth rests on human labour in the production process. Finally, capitalism is dynamic and innovative in nature with regards to technology and organisation, to constantly create profit in a competitive environment. Dynamism and change is a constant feature of capitalism, hence present-day global capitalism is increasingly and profoundly transforming (Bryson et al., 1999; Short, 2004).

![Figure 3: The fundamentals of capitalism](Adapted from Coe et al., 2007)

Capitalism is dynamic and creative as its competitive character induces continuous changes in the geography of production, exchange and consumption; hence, the organisation of economic landscapes is continuously being transformed (Swyngedouw, 2000b; Coe et al., 2007). Moreover, capitalism constantly invites possibilities and opportunities for accumulating more profits by finding new markets, new products, new raw materials and new ways of organising the production process (Coe et al., 2007). Therefore the capitalist economy is known as a
‘restless landscape’ in which there is a fundamental urge for growth (Swyngedouw, 2000b; Coe et al., 2007).

The nature of capitalism has evolved through three broad phases, as explained by Knox et al. (2008). The first phase is called ‘competitive capitalism’ and lasted from the late 1700s until the end of the nineteenth century. The market was characterised by competition between small family businesses, with few controls imposed by governments or public authorities. The dynamism of this capitalist phase was based on profitability from agriculture and handicraft manufacture. The second phase is called ‘organised or industrial capitalism’, from the early decades of the twentieth century until the 1970s. The dynamism of this phase was based on industrial logic related to the Fordist regime of accumulation and regulation of economic growth, dependent on profitability that came from new labour processes, mass production, assembly-line techniques, scientific management and advertising activities (Swyngedouw, 2000b; Boltanski and Chiapello, 2005a). The third phase of capitalism is referred to as ‘globalised or advanced capitalism’; it started in the 1980s and continues to the present day. The dynamism of this phase requires flexible production systems where the profitability is generated from new economic sectors which include serving specialised market niches ranging from design of consumer goods to entertainment products, information technologies, and financial and business services. This phase has witnessed the weakening of the industrial logic and the rise of network logic and market logic, leading to an increase in competition. This is in addition to the inspirational logic which is seen in innovation, risk-taking, highly differentiated products and a permanent search for new solutions (Boltanski and Chiapello, 2005a).

Throughout its history, capitalism has faced many criticisms that constantly require responses to justify its existence. Weber (2001) and Boltanski and Chiapello (2005a, 2005b) name this justification as the ‘spirit of capitalism’, defined as ‘the ideology that justifies people’s commitment to capitalism, and which renders this commitment attractive’ (Boltanski and Chiapello, 2005b, p. 2). The spirit of capitalism is based on three important dimensions (Boltanski and Chiapello, 2005a, 2005b). The first dimension is ‘excitement’, which means convincing people how engaging with capitalism would enable them to prosper and flourish. The second dimension is ‘security’, which emphasises that capitalism would generate security for individuals. The third dimension is the notion of ‘fairness’, which focuses on how capitalism contributes to public justice and the common good.

As mentioned earlier, the nature of capitalism has been transformed through three historical phases. Similarly, capitalism has broadly changed its spirit in each of these phases to justify its existence in response to criticisms that mainly revolved around its unsustainable nature and its lack of moral foundation. Table 1 demonstrates the three spirits of capitalism, illustrating the changes that occurred to its three dimensions.
Table 1: Three spirits of capitalism (Boltanski and Chiapello, 2005a, p.166)

<table>
<thead>
<tr>
<th></th>
<th>First spirit End of nineteenth century</th>
<th>Second spirit 1940-1970s</th>
<th>Third spirit Since 1980s</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Forms of the capital accumulation process</strong></td>
<td>Small family firms</td>
<td>Managerial firms</td>
<td>Network firms</td>
</tr>
<tr>
<td></td>
<td>Bourgeois capitalism</td>
<td>Big industrial companies</td>
<td>Internet and biotech</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Mass production</td>
<td>Global finance</td>
</tr>
<tr>
<td></td>
<td></td>
<td>State economic policy</td>
<td>Varying and differentiated production</td>
</tr>
<tr>
<td><strong>Excitement</strong></td>
<td>Freedom from local communities</td>
<td>Career opportunities</td>
<td>No more authoritarian chiefs</td>
</tr>
<tr>
<td></td>
<td>Progress</td>
<td>Power positions</td>
<td>Fuzzy organisations</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Effectiveness possible in free countries</td>
<td>Innovation and creativity</td>
</tr>
<tr>
<td><strong>Fairness</strong></td>
<td>A mix of domestic and market fairness</td>
<td>Meritocracy valuing efficiency</td>
<td>New form of meritocracy valuing mobility, ability to nourish a network</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Management by objectives</td>
<td>Each project is an opportunity to develop one’s employability</td>
</tr>
<tr>
<td><strong>Security</strong></td>
<td>Personal property</td>
<td>Long term planning</td>
<td>For the mobile and the adaptable, the ones who know how to manage themselves, companies will provide self-help resources</td>
</tr>
<tr>
<td></td>
<td>Personal relationships</td>
<td>Careers</td>
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</tr>
<tr>
<td></td>
<td>Charity</td>
<td>Welfare state</td>
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<td></td>
<td>Paternalism</td>
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</tbody>
</table>

Capitalism and the spirit of capitalism are not merely a rhetorical discourse but are most importantly performative (Chiapello and Fairclough, 2002; Boltanski and Chiapello, 2005a; Kazmi et al., 2012). The spirit of capitalism defines and influences what is legitimate and acceptable during a certain period, and therefore shapes corporate practices, the organisation of corporations as economic entities, as well as how management should be viewed and performed (Kazmi et al., 2012). In this sense, the spirit of capitalism is a discourse including representation of how things should be seen with performative effects and actual practices and activities (Chiapello and Fairclough, 2002; Kazmi et al., 2012). The literature of capitalism and the spirit of capitalism is important for this study because understanding the changes in capitalism provides the foundation for understanding its influence not only on managerial practices of corporations (Kazmi et al., 2012) but also on the practices of states’ and cities’ national economies in today’s globalised capitalist economy.

2.8 Dynamics of Economic Landscapes Under Financialization

The term financialization or ‘financial capitalism’ has been used recently along with globalisation and neoliberalism to describe the nature of contemporary capitalism (Epstein, 2005). As explained in the previous section, capitalism is dynamic and restless and this has been increasingly noted by researchers who argue that the nature of capitalism has been drastically transformed over the last few decades, from industrial modes of capitalist production to a
finance-led accumulation regime as a source of capital accumulation and domestic economic wealth (Boyer, 2000; Mezzadra, 2010; Marazzi, 2010; Fumagalli, 2010; Vercellone, 2010). Contemporary capitalism is viewed as a new era of capitalism, principally geared around cognitive post-industrial accumulation relevant to intellectual activities of knowledge, communication and creativity (Paulre, 2010).

It is noteworthy that there is no agreed definition of financialization, as it is a relatively new concept that has different working definitions in different fields (Erturk et al. 2008; Stockhammer, 2004; Orhangazi, 2008; Paulre, 2010). Some scholars explain it as the increasing importance of finance and the dominance of capital financial markets and systems over the traditional bank-based systems, and some use this term to refer to the growth of political and economic power of a particular class of society (Epstein, 2005; Krippner, 2005; Palley, 2007; Orhangazi, 2008). Epstein (2005, p.3) defines financialization as ‘the increasing role of financial motives, financial markets, financial actors and financial institutions in the operation of the domestic and international economies’. Palley (2007, p.1) agrees with Epstein’s definition, describing financialization as ‘a process whereby financial markets, financial institutions and financial elites gain greater influence over economic policy and economic outcomes’. The growing importance of the financial role in today’s world economy has also been researched by Boyer (2000), who noted the transformation in the nature of capitalist growth in the second half of the 1990s that suggests the emergence of a finance-led accumulation regime. Similarly, Marazzi (2010, p. 36) describes financialization as ‘a form of capital accumulation symmetrical with new processes of value production’ in today’s capitalism. Krippner (2005) examined whether the US economy is financialized, by measuring the structural shifts in its composition and the contribution of different sectors to the national GDP. Krippner (2005, p. 196) joins Arrighi (1994) in defining financialization as ‘a pattern of accumulation in which profit making occurs increasingly through financial channels rather than through trade and commodity production’. Krippner’s definition emphasizes the act of directing capital deployment from production to financial markets due to high competition and the pressure of shareholders to achieve higher profits.

Epstein (2005), Krippner (2005), Palley (2007), Stockhammer (2004) and Boyer (2000) have adopted the political economy approach to define financialization and measure its role in changing the character and performance of the present-day economy. On the other hand, Martin (2002), Thrift (2001) and Froud et al. (2006) adopt a cultural economy approach to understand the new market culture. The cultural economy approach implies a unique methodology of studying narratives and performance to empirically investigate the business models of multi-nationals. Thrift (2001) describes the present-day economy as an era of stories in which financial and non-financial actors are engaged in creating and spreading purposeful narratives due to pressures from the financial markets, and from shareholders who demand more value generation. His description of financialization implies that narratives not only characterize the new economy but also shape it because today’s world economy requires
countries and cities to be more proactive in engaging the market with persuasive narratives. Likewise, Froud et al. (2006) propose the cultural economy approach and explain financialization through understanding the growing pressure from the capital market on companies’ strategies and the efforts of management to increase shareholder value and return on capital. Such pressure drives companies to tell stories as a strategy to strengthen their images in the market. Giant companies are telling stories, besides producing financial statements, as a strategy to manage their corporate value (Froud et al., 2006).

After reviewing the financialization literature, the term financialization can be comprehensively defined in the context of this research as a characteristic of the present-day capitalism and the new market culture that, first, describes the growing role of financial influence at the micro- and macro-level; and second, implies a unique methodology of studying narratives and performances to empirically investigate the business or economic models in the present-day economy.

In the context of today's financialized capitalism, many researchers have expressed their concerns with regard to the consequence of the finance-led accumulation regime of present-day capitalism which can trap the financialized economy in a financial bubble and crisis (e.g. Boyer, 2000; Marazzi, 2010; Fumagalli, 2010; Vercellone, 2010; Lucarelli, 2010; Chicchi, 2010; Paulre, 2010; Fumagalli and Mezzadra, 2010). One of the recurring risks in capitalist and free-market economic systems is speculation, and eventually a financial crisis that should be analysed in light of the capital accumulation regime (Lucarelli, 2010). Hence, booms and busts appear to be common cyclical occurrences in the capitalist system as crises of over-accumulation are inherent features of capitalism (Coe et al., 2007). This is the case with the global financial crisis that broke out in the largest capitalist regime, the United States, in late 2007 and directly affected the American GDP, before hitting the global markets in October 2008 (Marazzi, 2010; Chicchi, 2010; Roth, 2010).

In present-day global capitalism, advanced financial services partly operate through a regulatory umbrella that is market centred and not state centred (Sassen, 1998). Chicchi (2010, p. 151) asserts that contemporary capitalism is ‘an economy that tries to institute itself without any mediation, be it legal or political’. Nevertheless, the economic performance in any given country or city is a function of government policies, where government performs a key role in how the economy operates (Vietor, 2007). In this respect, it is important that governments, and in particular the central banks, react appropriately and quickly by controlling the monetary policy and adjusting the interest rate to stabilise the domestic economy and prevent financial as well as asset bubbles from forming and bursting (Boyer, 2000; Marazzi, 2010; Lucarelli, 2010). Moreover, it is important that governments intervene in regulating the market, based on the acknowledgment of failure of the market's capacity to regulate itself (Fumagalli, 2010).
2.9 Theoretical Framework of the Study

The multidisciplinary literature discussed above can be summarised by Figure 4, which illustrates the influence of the various dynamics of globalisation, growing global economic competition, capitalism and financialization, on states’ and cities’ strategies, behaviours and practices. These have encouraged the emergence of global cities that act like corporations, not only by entrepreneurial competition but also by narrating, branding and marketing their spatial uniqueness to gain a foothold in the global economic community.

![Figure 4: Influence of contemporary financialized capitalism and globalised world economy](image)

This research brings various related intellectual disciplines and frameworks together to form multidisciplinary platform to provide richer analysis and critical insights into the case of Dubai. In light of the literature review, the researcher has developed the theoretical framework shown in Figure 5 in order to answer the research questions outlined in chapter 1. Note that the theoretical framework sees the mixture of the identified literature as overlapping and interconnected; hence, this figure does not suggest that the defined literature are distinctively separate.
The Dubai model of economic development, which is the focus of this study, will be researched using the rich multidisciplinary literature of economic geography and cultural economy. Economic geography is helpful in analytically investigating and explaining the case study of Dubai because, as explained earlier, it is concerned with the forces that influence and shape the economic activities and the fundamental motivations that drive the economy. An understanding of global cities, competitive cities, entrepreneurial cities, place branding and marketing are relevant to the study of the Dubai model because Dubai aims to become a competitive hub for trade, financial services, tourism and international events. It is noteworthy that Dubai is already recognised as an offshore banking centre and a place for free international financial and commercial zones in the Middle East (Sassen, 2006).

Moreover, the managerialism literature is helpful in explaining the case study because Dubai is often referred to in the media as ‘Dubai Incorporated’, with the ruler being its chief executive officer (Schmid, 2009). It has been recognised that the strong intervention of the government, with regard to its perceived entrepreneurial and marketing initiatives, is the key driver that has transformed its spatial and economic landscape (Hvidt, 2009). This includes the establishment of specialised free zones that contributed significantly to attracting foreign investment (Davidson, 2008). Additionally, the literature of cultural economy is necessary because a fundamental understanding of the societal structure and narratives is essential to an analysis of how the economy of Dubai works. While Dubai is striving to become a global competitive city by proactively attracting foreign investment, it is also operating within the socio-cultural and political
framework of the federal government of the UAE. Therefore, knowledge of the context of the UAE and its influence on the Dubai development is essential to understand the story of Dubai.

The literature of capitalism and the third spirit of capitalism is relevant to an examination of Dubai economic development in light of the global financial crisis of late 2007. This is because the capitalism literature is concerned with capitalist economies and the emergence of finance-led accumulation regimes that may lead to asset bubble crises. Hence, this literature will provide a critical examination of the challenges that face capitalist economies, including that of Dubai. Similarly, the literature of financialization is relevant to this study as it is becoming an alternative framework in business studies to examine bubbles and sustainability in present-day finance-led capitalism. The literature of financialization has been used to study and investigate the financialized character of economies as well as business models of multinationals in present-day capitalism (see Thrift, 2001; Stockhammer, 2004; Krippner, 2005; Froud et al., 2006).

For the purpose of this study, the researcher uses the cultural economy approach of financialization that examines the narratives and performance of the economy of Dubai in order to investigate its economic development. The significance of the cultural economy approach is to explore the role of narratives in shaping Dubai’s economy and also to understand the initiatives of the government of Dubai to attract foreign investment. Moreover, this approach will enable the researcher to assess the Dubai model by evaluating any discrepancies between the narratives and the actual economic performance. This methodological approach has been used by scholars such as Froud et al. (2006) to investigate the business models of giant firms in the present-day economy, but this research will apply it to the city of Dubai, thus implementing it at a macro-economic level. There has also been a working paper by Buchanan et al. (2009) of the Centre for Research on Socio-Cultural Change (CRESC) at the University of Manchester that applies this approach to UK government practices. It is important to note that Froud et al. (2006) look at the impact of stock markets via the shareholder value principle on listed companies in Anglo-Saxon economies in their study of financialization. So, narratives and performance are important in this context. In the focus of this study, Dubai tries to attract FDI to its territory, thus, narratives and performance are equally important because investors in Anglo-Saxon capital markets are also investors in countries and cities like Dubai.

From the political economy perspective, Krippner’s (2005) approach is also useful for this research because it addresses the importance of understanding economic change and empirical evidence in the financialized economy, by studying the structure of the economy and the contribution of different sectors to the GDP. Therefore, the first phase that the researcher will carry out is adopting the political economy approach of financialization to assess the sectoral composition of Dubai’s GDP in order to understand whether Dubai is moving towards becoming a financialized economy. Secondly, the cultural economy approach will be applied to
empirically analyse Dubai’s narratives versus its economic performance. These two phases are shown in Figure 6.

![Diagram showing phases of approaches to financialization](image)

**Figure 6: Phases of the adopted approaches of financialization**

This study adopts the methodology of a cultural economy approach of financialization for the empirical analysis of the case study taking into consideration four significant issues. Firstly, while some scholars have applied the cultural economy approach to examine multinational corporations and large firms (e.g. Froud et al., 2006), this study applies it on the macro-economic level of a city-state. Secondly, the available studies that used the cultural economy approach of financialization were dependent on analysing publicly available data and financial statements of large firms, whereas this study is based on analysing substantial macro-economic statistical data and publicly available data from a diverse range of sources, in addition to the empirical fieldwork that includes fifty-six elite in-depth interviews with government officials, banks and financial institutions, and the private non-financial sector. Thirdly, the application of the cultural economy approach of financialization in certain case studies (e.g. Froud et al., 2006) considered the initiatives themselves as the narratives of the corporations under study. Hence, there were two elements of comparison; the narrated initiatives such as ‘six sigma’ and ‘to be number one or number two’ in the case of General Electric (GE), versus performance in terms of the financial numbers (see Froud et al., 2006). This could be attributed to the nature of the narrated initiatives being intangible and unable to be measured. In this study, however, the researcher deconstructs the Dubai model story into three separate elements: narratives, initiatives and performance (see Figure 7). This is because in the case of Dubai, the initiatives are tangible and hence can be assessed against the narratives and the actual economic performance of the city-state. The fourth issue is based on the cultural economists’ interest in how things miscarry in the performative relation between saying and doing. Callon (2006) defines performativity as the capacity of speech and non-verbal forms of expressive action to perform and construct the reality; for example a narrative is performative if it contributes to the construction of the reality. He explains that expression is a crucial component of performativity. British scholars have always had an interest in infelicities, which are classified as misfires and misexecutions (MacKenzie and Millo, 2003; MacKenzie, 2004; Froud et al., 2006). While these studies are based on the advance assumption of infelicity/discrepancy between narratives and
performance, the present research investigates discrepancies or alignments among the three elements under study: narratives, initiatives and performance.

![Figure 7: Elements of the adapted cultural economy approach of financialization](image)

Before concluding this section, it is crucial to explain the notion of ‘sustainability’ that the researcher intends to investigate and assess. The term sustainability originated in the 1970s as a consequence of critique of economic growth, which was perceived to lead to severe environmental damage and societal collapse (Braidotti et al., 1994). In this sense, the notion of sustainability consists of three dimensions: environmental, social and economic (Haughton and Hunter, 1994; Newman and Kenworthy, 1999; Dresner, 2002; Portney, 2003; Sorensen et al., 2004). However, for the purpose of this study, the researcher focuses on the economic sustainability of Dubai, in keeping with the scope of this work. Hence, ‘sustainability of the Dubai model of economic development’ in the context of this study can simultaneously refer to the continuity of the Dubai model of economic development.

### 2.10 Conclusion

Economic globalisation that has led to growing global competition, along with the changing nature of financialized capitalism, are dynamic forces affecting the landscape of the contemporary world economy. Accordingly, countries and cities are subject to growth and decline due to both internal and external forces (Kotler et al., 1993). Hence, understanding the spatial configuration and the economic activities of any given city demands deep analysis based on multidisciplinary literature and relevant intellectual frameworks, in order to provide rich and comprehensive study.

In the present world economy, countries and cities including Dubai are proactively improving their location’s attractiveness by adopting complex changes in their regulatory systems, and in
cultural, political and institutional structures, in order to be competitive in attracting FDI (Cerny, 1997). These changes are fundamental in modernising society and building the nation of Dubai city and the UAE in general, since the UAE is a relatively young country that declared its independence in 1971 (Jreisat, 2002). In addition to these changes, efforts have been devoted to branding and marketing the location’s attractiveness. Dubai has acknowledged the importance of positioning and branding itself as the region’s gateway and as a hub for business and trade, transport, tourism and services, sporting events and iconic real estate projects. This is clear from the vision of the Dubai Department of Tourism and Commerce Marketing which aims ‘to position Dubai as the leading tourism destination and commercial hub in the world’ (Department of Tourism and Commerce Marketing-Government of Dubai, 2010).

Adopting multidisciplinary literature as a foundation to analyse the case study of Dubai is crucial because, as Callon (2006) stresses, there is no one best way and no single form of organisation that imposes itself naturally and compellingly as the only one able to ensure the optimal functioning of markets. Hence, governments are facing greater complexities because no one policy is likely to be a solution for every city in the world and no universal solutions are possible (Bridge and Watson, 2000c). This is because policies need to be sensitive to the specificity of the city and the country in general. Accordingly, the contextual factors are an integral part of understanding how and why the economy functions since the culture and the economy are related and cannot be viewed as separate entities (Du Gay and Pryke, 2002; Law, 2002; Allen, 2002; Slater, 2002; Pryke and Du Gay, 2007). Hence, in order to critically and comprehensively assess the Dubai model of economic development, it is important to understand the contextual characteristics of Dubai.

The aim of this study is to explain the Dubai model of economic development, taking into consideration the role and influence of the contextual socio-cultural and political factors. Therefore, the next chapter will explain in detail the research design and methodology employed to achieve the objectives of the study, outlined in chapter 1.
CHAPTER 3 RESEARCH METHODOLOGY

3.1 Introduction

As already mentioned, the aim of this research is to analyse, explain and assess the Dubai model of economic development. Hence, the research methodology, design and methods for the empirical part of the study and collection of informative data should take into account the nature of this case study with regard to the previously explained research purpose, objectives and questions.

This chapter describes the research design and methodological approach employed in this empirical study. First, the methodological approach adopted and the underlying philosophical assumptions are explained. Secondly, the research design, data collection methods and sources of primary and secondary data are discussed. The research design appropriate for this study, a single case study, is explained. The data collection methods, which consist of examination of the available statistical macro-economic data and in-depth elite interviews for gathering primary data, are presented. Thirdly, the adopted data analysis strategy is clarified in detail. Fourthly, the validity and reliability of this study are described. Finally, this chapter will explain how the ethical issues associated with this research have been carefully considered and ensured to maintain academic research professionalism.

3.2 Methodological Approach

The appropriate choice of a philosophical stance for research in social studies depends on the nature of the topic under study, the research objectives and questions. Hence, the research was positioned on a certain track ontologically and epistemologically once the researcher had decided on the research objectives and questions (Masson, 2002). Moreover, research design and data collection methods stem from the philosophical assumptions with regard to ontology (the nature of reality) and epistemology (how the researcher gains knowledge), that the researcher has to understand due to their implications on designing and conducting the research (Creswell, 2007; Guba, 1990). In the methodology literature, there is much debate on the distinctiveness and the combination of various philosophical paradigms (basic sets of beliefs that guide action) from positivism, post-positivism, interpretivism, social constructivism, advocacy/participatory and pragmatism (Denzin and Lincoln, 2005); space constraints prevent discussion here of all the assumptions behind each of the philosophical approaches. However, it is generally accepted in the methodology literature that qualitative, quantitative and mixed methodology approaches predominate (Hollliday, 2002; Flick, et al., 2004a; Denzin and Lincoln, 2005; Flick, 2006).
From an epistemological standpoint, the quantitative approaches are based on the positivist philosophical paradigm that starts from hypotheses and emphasises structurally quantifying the empirically collected data to test the hypotheses and generalise the findings. In contrast, the qualitative approaches are rooted in the interpretivist-constructivist philosophical paradigm that aims to explore, investigate and explain the details and various patterns of the case under study, and urges the researcher to look for complexity in the views rather than narrowing the meanings into a few hypotheses or categories (Yin, 2009; Creswell, 2007; Flick, 2006; Guba and Lincoln, 2005; Neuman, 2005; Schwandt, 2001; Crotty, 1998; Miles and Huberman, 1994; Morgan and Smircich, 1980). From the ontological standpoint, the researcher embraces the idea of multiple realities when conducting qualitative research, and hence he or she represents, analyses and reports all the various perspectives from different individuals participating in the study. Epistemologically speaking, the qualitative researcher gets as close as possible to the research participants in the field in order to gain first-hand information as well as access to the context (Creswell, 2007).

This study is essentially a qualitative project, aiming to achieve an in-depth understanding and interpretation of how the reality of the Dubai model of economic development is constructed. Thus, the research falls within the interpretive-constructivist paradigm that enables more in-depth examination of the case study under investigation (Flick et al., 2004b). In contrast to the quantitative instruments that constrain data collection by predetermined standardised categories that restrict breadth and depth, qualitative methods will give this study greater depth, with more attention to detail and context, producing rich data about the case under study (Patton, 2002, 1990). Moreover, from an epistemological perspective, the case study of the Dubai model is inductive in nature because this research aims to explore the Dubai model in a socio-cultural and political context without any prior assumptions or hypotheses (Symon and Cassell, 2004; Holloway, 1997). As indicated in earlier chapters, very few studies attempt to assess the Dubai model of economic development; hence, it would be more appropriate to adopt the inductive approach of qualitative research where the knowledge will emerge and be shaped by the researcher’s experience in collecting and analysing the data, rather than the deductive approach that stands on forming prior hypotheses or perspectives (Creswell, 2007).

It is commonly accepted that the inductive reasoning approach seems more appropriate for qualitative studies that attempt to explore in-depth and explain social phenomena. Unlike the deductive reasoning approach, where the researcher starts with general theories and then searches for empirical evidence by testing the hypotheses, with inductive reasoning the researcher starts by collecting data without making prior assumptions, describing intentions, meanings and contexts, analysing the data and only then generating interpretations (Reichertz, 2004; Johnson, 2004; Holloway, 1997). Therefore, this researcher will inductively reflect upon the research experience and then attempt to formulate analytical explanations. With this in
mind, and based on the briefly described broad philosophical stance for this study that stems from the appreciation that a particular research philosophy influences both the research design and the selection of appropriate data collection strategy, the next section provides a detailed explanation of the research design and data collection methods utilised.

3.3 Research Design

Where this study stands ontologically and epistemologically was indicated in the previous section. This is interpretivist-oriented qualitative research that seeks to draw an in-depth understanding of the case of the Dubai model of economic development. For qualitative studies, the research design needs to be sufficiently open and flexible to allow exploration of the phenomenon under investigation (Patton, 2002). Mason (2002) asserts that in qualitative research, articulation of the research design is ongoing and grounded in the practice, process and context of the research, because qualitative studies are characteristically exploratory, fluid and flexible, data-driven and context-sensitive. Although flexibility and openness are required for qualitative research design, this does not undermine the certainty that the research design is viewed as an important initial step in the research project, as it is a plan of action that describes how the study will be conducted, empirically performed and which research strategy and methods will be used for the collection and analysis of data to facilitate a consistent, coherent and systematic research process in order to establish a valid and reliable study (Leedy and Ormrod, 2005; Flick, 2004; Berg, 2004; Holloway, 1997). Bearing this in mind, it is also necessary to acknowledge that the strategic choice of appropriate research methods and sources for generating potential relevant data depends fundamentally on the purpose of the study and the nature of the identified research questions, logistics and resources available, timelines, as well as potential access to the relevant data sources (Patton, 2002; Mason, 2002). Moreover, the decision to integrate multiple methods and data sources is recommended and considered as very productive analytically, especially to explore different parts of the phenomenon and various levels of knowledge and explanation that can in turn contribute to enhancing the overall quality of the depth and breadth of the data collection and analysis through validating and triangulating one source and method with another (Mason, 2002).

Since the choice of research strategy and methods depends upon the objectives and type of questions that are asked in order to collect data (Yin, 2009; Denzin and Lincoln, 2005), this research project takes the form of a case study as an appropriate qualitative research design that can provide evolving insights. This is because the subject for analysis concentrates on a single focused phenomenon, the Dubai model of economic development, as the unit of analysis. The case study as a research strategy is widely and increasingly used in social studies (Hartley, 2004; Yin, 2003; Robson, 2002). Yin (2003, p. 13) defines a case study as an empirical inquiry that “investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident”. Hence, the context has
to be deliberately part of the research design (Hartley, 2004). Hakim (1992, p. 61) stresses that a case study as research design provides a “richly detailed portrait of a particular social phenomenon”. Berg (2004) also asserts that the case study permits the researcher to understand how the subject of study operates. Qualitative enquiry inclines towards adopting a case study and hence it is viewed as a popular research design in social studies because it allows examination of an individual case (Holloway, 1997). The case study is confirmed as an adequate research strategy for the reasons described by Yin (2009), and are applicable to this study: first, this research is addressing the ‘how’ type of questions which require in-depth investigation and focus on detail to understand the phenomenon of the Dubai model. Secondly, there is limited control over the events because this research attempts to understand the Dubai model in a dynamic open system mechanism, since it is a contemporary phenomenon within a real-life context. Thirdly, the case study will allow the use of multiple sources of evidence to deeply enrich the understanding of the structure of the economy of Dubai.

Among the frequently acknowledged case study design types are exploratory, explanatory and descriptive approaches (Creswell, 2007; Berg, 2004; Yin, 2003; Zikmund, 2003; Adams and Schvaneveldt, 1991). However, a clear separation among these three designs cannot be drawn and it should not be of any significant research concern. This is because a case study can be either a combination of these three approaches, or it can begin as descriptive or exploratory enquiry and then develop into an explanatory study (Robson, 2002). For the purpose of this research, the most appropriate type is the explanatory case study that will first explore the elements of narratives and performance initiatives in an attempt to understand, analytically assess and explain their relationship with Dubai’s domestic economic performance. Moreover, this research is an intrinsic case study rather than an instrumental case, which means its intent and analysis are to understand a particular case in depth, since the uniqueness of the case of the Dubai model itself is the prime interest, rather than focusing interest on another issue with the case as a secondary interest (Creswell, 2007; Stake, 2005). In this respect, the intention of the author of this thesis is in accordance with Berg’s (2004) suggestion, which is understanding intrinsic aspects of the particular case study under investigation rather than testing abstract theory or developing new theoretical explanations. Accordingly, the aim is not to generalise the findings of the research as much as to investigate and analyse the case itself. Nevertheless, the explanation and lessons from investigating an individual case study are likely to suggest explanations of phenomena or events which involve similar variables or contexts (Berg, 2004). This type of generalisation is referred to as ‘analytic generalisation’ (Yin, 2009). Furthermore, this study falls within what Jensen and Rodgers (2001) classified as ‘pre-post case studies’ because the Dubai model is studied at two time points which are pre- and post- the significant event of the global financial crisis of 2007.

Given the explanatory nature of this research, primary and secondary data are collected, studied and analysed. As will be explained in the following sub-sections, the use of a variety of
written materials in terms of relevant data and economic statistics has been considered, as well as elite in-depth interviews with key well-informed stakeholders who are not only familiar with the Dubai model but, most importantly, are those who can be described as contributors to the model and hence have insights into the case study. In this regard, gaining access to the field under study and to potential participants is considered one of the concerns that the qualitative researcher has to anticipate (Creswell, 2007; Flick, 2006; Hartley, 2004). This is in addition to the challenges of dealing with the ‘gatekeepers’, establishing rapport with interviewees, and speaking the business language that will interest and engage them; these are viewed as key issues associated with conducting interviews as a primary data collection method (King and Horrocks, 2010; Fontana and Frey, 2005; Aberbach and Rockman, 2002; Goldstein, 2002; Thomas, 1993; Ostrander, 1993; Hertz and Imber, 1993). However, this researcher is already familiar with the Dubai context, having previously worked in it, and is therefore able not only to identify relevant potential participants but also establish appropriate contacts in Dubai to facilitate access and overcome these challenges. In addition to the already established contacts, it transpired that gaining access to key stakeholders in Dubai (senior government officials, senior bankers and managers in financial institutions, and senior managers in the private non-financial sector) was easier than initially anticipated. The majority of the potential participants contacted expressed support and willingness to take part in this research, as they found the topic under study both relevant and interesting.

The sampling strategy and the selection of participants was based on non-probability sampling, which is suitable for qualitative studies (Mason, 2002). The logic of this sampling strategy is based on acknowledging the relationship between the relevant range of potential participants who are either involved in or informed about the case study of Dubai. Thus, this strategy is referred to as ‘purposive or purposeful sampling’, which means selecting the written materials and the group of participants on the basis of their relevance to the research purpose and questions (King and Horrocks, 2010; Creswell, 2007; Flick, 2006; Gobo, 2004; Mason, 2002). Also, as Flick (2006) explains, the researcher might encounter sampling decisions at different stages of the research process. For this study, the sampling decision was taken at two levels: the material sampling and the case sampling to select potential interviewees. What constitutes a meaningful range of samples for empirical fieldwork selection in this study is the association of the potential stakeholders with the Dubai model; they are Dubai senior government officials who are well-informed about the economic development of the city-state; senior managers in local and international banks and financial institutions in Dubai who experienced the rapid growth of the city-state as well as the financial crisis of 2007; and senior managers in private non-financial sector who are considered as key stakeholders in Dubai’s economic development and growth. The ‘snowball’ sampling technique was also considered as complementary in identifying other relevant potential participants, as explained by Berg (2004). Interestingly, the majority of potential participants identified through the snowball technique had already been considered by the author, which signals that the selected sample was appropriate for the case study.
Having highlighted some of the considerations associated with designing the qualitative research that would influence data methods and sources, the next sub-sections explain the data collection methods deployed, which are written materials and statistical economic data, and in-depth elite interviews with key clustered participants.

3.3.1 Documentary Evidence

Documentary information, including written material and reports, statistical data, newspaper clippings and articles, is considered one of the major sources of evidence in case studies, corroborating and augmenting evidence from other sources (Yin, 2003). A substantial range of secondary data sources has been used in this case study, including books, print and electronic journals, publicly available data and quantitative statistics, UAE and international newspaper articles, and specialised financial and economic reports from international financial institutions. This secondary data has been carefully examined in order to match the purpose of the study and ultimately answer the research questions. Accordingly, the secondary data informs the following two chapters. First, chapter 4, describing the socio-cultural and political context of Dubai, is based on a thorough and analytical discussion of the emirate’s historical trajectory, social and demographic statistics, political structure and governance system. Secondly, chapter 5, explaining the substantial macro-economic context of Dubai, is a rigorous and critical discussion of the economic data and performance indicators of the emirate before and since the global financial crisis of 2007. Chapter 5 also involves careful study of UAE and international newspaper articles as well as financial and economic reports published by financial institutions, reflecting the impact of the global financial crisis on the economy of the emirate. Additionally, the intensive study of the secondary data has not only contributed to establishing fundamental socio-cultural, political and macro-economic contextual knowledge about the case study of Dubai, but has also assisted significantly in articulating thoughtful interview questions for the empirical fieldwork.

3.3.2 In-depth Elite Interviews

Interviews are the most commonly used method of data collection in qualitative research (Packer, 2011; King and Horrocks, 2010; Flick, 2006; King, 2004; Mason, 2002). Berg (2004, p.75) defines an interview as “a conversation with a purpose, specifically, the purpose is to gather information”. King (2004, p.11) clarifies that the goal of any interview is to “see the research topic from the perspective of the interviewee and to understand how and why they come to have this particular perspective, rather than abstractions and general opinions”. With reference to the interpretivist philosophical nature underpinning this study, King and Horrocks (2010) propose semi-structured interviews as an appropriate method of data generation for qualitative researchers, founded upon theoretical perspectives rooted in interpretivism. Of the
three types of interview distinguished by Berg (2004) (structured ‘standardised’, semi-structured ‘semi-standardised’ and unstructured ‘unstandardised’), the semi-structured type seems appropriate for this study as it allows the interviewer to ask a number of predetermined questions in a systematic manner, at the same time offering the flexibility to probe with more detailed questions as issues arise during the interview. Consequently, questions for the semi-structured interview are open-ended (Flick, 2006). Furthermore, bearing in mind that this study involves interviewing elite participants in senior positions, individual ‘one-to-one’ and ‘face-to-face’ interviewing seems to be the most appropriate, as opposed to telephone or focus group interviews. This is because, as Holloway (1997) explains, an elite interview is an interview with particularly powerful and high-status people. Hence, a focus group to gather the elite participants in one place is not practical. Also, remote ‘telephone’ interviewing will not enable the interviewer to see the informal communications in terms of body language, gesture and facial expression, which provide richness and nuance that is possible only in face-to-face interaction (King and Horrocks, 2010; Creswell, 2007).

It is appreciated that planning and preparation are an important phase in the process of conducting elite interviews (Goldstein, 2002; Thomas, 1993; Berry, 2002; Hertz and Imber, 1993; Ostrander, 1993). The importance of identifying the target population cannot be overlooked (Goldstein, 2002), and the target population for primary data collection included senior government officials, economists and senior managers in both financial institutions and private non-financial firms. An important part of the preparation is choosing the appropriate interview type, then developing an interview guide including the key and prompt questions (Aberbach and Rockman, 2002). The utilised method is conducting in-depth elite semi-structured interviews with open-ended questions, one-to-one and face-to-face. It is a focused, direct, insightful method that will provide detailed information to help understand and answer the research questions (Yin, 2009). Moreover, this approach encourages the interviewees to speak at length and openly (Aberbach and Rockman, 2002). Besides the advantages of this primary data collection method, Yin (2009), King (2004) and Mason (2002) stress that developing an interview guide, conducting in-depth face-to-face elite interviews, transcribing the tape-recorded interviews, and analysing the transcripts are very time-consuming activities for the researcher, tiring to carry out, and requiring considerable concentration from the interviewer; the researcher might feel overloaded with the huge volume of rich data to manage. These challenges were experienced and have been overcome by the author of this thesis. The interview guide was developed in both English and Arabic; a total of fifty-six in-depth elite interviews were conducted with four different clusters of participants; some of the interviews were conducted in Arabic which required translation, and fifty-four interviews were tape-recorded and transcribed by the researcher. This resulted in a huge amount of written data, of about 400,000 words. Furthermore, Mason (2002) emphasises the importance of developing skills involving handling the social interaction of the interview effectively, but also argues that interviewing skills can be acquired and improved by training and practice. For this reason, the researcher attended an
‘elite interviewing with senior managers’ training course offered by Manchester Business School; this was followed by conducting a pilot interview with two senior managers in Dubai to practise the interview strategy and plan the phases of the interview process. Figure 8 illustrates the interview plan, including all the interview phases encountered during the pilot interviews; the plan was accordingly implemented for the empirical fieldwork.

Figure 8: The interview plan for the study (adapted from Thomas, 1993)

Figure 9 shows that, in total, fifty-six in-depth elite interviews were conducted with four separate clusters of participants. The average length of each interview was around an hour and a half; however, some interviews lasted for two hours and other interviews took place over two days. In addressing the first and second research questions, a total of forty-six elite interviews were conducted with three clusters of participants. The first cluster consisted of sixteen senior government officials and policy makers who were either involved in and influenced the decision making, or were well-informed about the macro-economic context and events in Dubai. The second cluster consisted of fifteen senior managers from the domestic and international banks and financial institutions, and the third cluster of fifteen senior managers from the private non-financial sector. In addition, ten interviews were conducted with known established academics with political and cultural science specialties, and who were familiar with the political and cultural context of the UAE; note that two of these interviewees have senior government roles as members in the Federal National Council (FNC) and one as a member of the Dubai Economic Council. Appendix A lists the fifty-six interviewees who participated in this study and Table 2 gives some background information about them.
Appendix B, C and D show the semi-structured interview guide for interviewing the government officials, financial institutions and private non-financial sector respectively. The interview questions are largely the same, making it possible to triangulate the findings among the three participant groups in order to answer the first and second research questions. Nevertheless,
there was some minor customisation to suit each group. Appendix E shows the interview guide for the academics as the fourth group of participants, addressing the third research question. The interview guides were developed in light of the research objectives to ultimately collect primary data to answer the research questions. The questions in the guides were designed to develop key themes for the data analysis stage.

3.4 Data Analysis Strategy

Qualitative data analysis is considered a challenging task because there are no common ground rules or procedures for carrying out the analysis, extracting the findings from the data and accordingly drawing conclusions (Packer, 2011; Creswell, 2007; Patton, 2002; Miles and Huberman, 1994). Patton (2002, p.432) adds that “the challenge of qualitative analysis lies in making sense of massive amounts of data”. Nevertheless, he explains that guidelines for facilitating qualitative data analysis can be found in the qualitative research literature, although the final analysis still remains unique as the qualitative analyst has to adapt the available knowledge to fit the purpose of the study undertaken. Additionally, the process of data management is viewed as an essential step in preparing the qualitative data for analysis (Mason, 2002; Flick, 2006). Accordingly, for this study the data analysis strategy entailed documenting all the qualitative data obtained from fifty-four elite interviews by tape-recording; only two interviews were documented by note-taking, at the interviewees’ request. All the tape-recorded interviews were fully transcribed and translated from Arabic into English by the author. Mason (2002, p.147) emphasises that “the approach to analysis including sorting data and building explanations should be both strategic and internally consistent”. With this in mind, the data analysis strategy that was developed for this study had a systematic approach, as shown in Figure 10, which is based on adapting the Miles and Huberman’s interactive model (1994).

![Figure 10: Data analysis strategy (adapted from Miles and Huberman, 1994)]
Miles and Huberman (1994) suggest that qualitative analysis consists of three activities: data reduction, data display and conclusion drawing/verification. For this study, this researcher adapted the model by replacing data reduction with data management ‘categorisation’ and thematic analysis. Therefore, the data analysis stage was performed in the following steps: first, the qualitative data collected from the elite interviews was organised by developing ‘thematic structure’ categories, which are expressed as headings for the grouped interview questions designed in the interview guides as given in appendix B, C, D and E. These categories had already been identified in the data design phase and in light of the research questions. Nevertheless, new themes emerged and hence were considered during the empirical interviews. In this phase, it is important to note that although organising the collected data into thematic categories was time-consuming, it appeared to be sufficient especially considering the author’s determination to identify similarities and differences in the responses among the three groups of participants: government officials, senior managers of financial institutions, and senior managers in the private non-financial sector. Table 3 demonstrates data categorisation as an essential step for managing the large amount of qualitative data collected in the fieldwork.

Table 3: Data categorisation phase of data analysis strategy

<table>
<thead>
<tr>
<th>Cat 1: Government officials and policy makers</th>
<th>Cat 2: Banks and financial institutions</th>
<th>Cat 3: Companies in private non-financial sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dubai’s Vision and motives</td>
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<td>The vision</td>
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</tbody>
</table>

| The essence of the Dubai Model               |                                        |                                               |
| • Interviewee 1 response..                  | • Interviewee 1 response..             | • Interviewee 1 response..                    |
| • Interviewee 2 response..                  | • Interviewee 2 response..             | • Interviewee 2 response..                    |
| • Continue..                                | • Continue..                          | • Continue..                                  |

Secondly, thematic analysis was applied to the qualitative data. King and Horrocks (2010, p. 150) define the ‘theme’ in thematic analysis as “recurrent and distinctive features of participants’ accounts, characterising particular perceptions and/or experiences, which the researcher sees as relevant to the research question”. They further explain that thematic analysis is concerned
with interpreting the group of participants and looking at patterns of themes across the
categorised themes. Therefore, this technique assisted in highlighting what interviewees have in
common as well as how they differ. Thirdly, data display was used as demonstrated in Figure
11. Data display means presenting the information in a systematic visual format in order to
facilitate verification and drawing valid conclusions (Miles and Huberman, 1994).

![Data Display Phase of Data Analysis Strategy](image)

**Figure 11: Data display phase of data analysis strategy**

The fourth step is the verification and drawing-conclusions phase by which the categorised and
displayed data were verified. This phase involves using cluster analysis to triangulate the
findings among the three groups of interviewees, as well as with the documentary materials and
statistical macro-economic data, which was deemed to be beneficial for drawing valid and
unbiased conclusions. In practice and as experienced by the researcher, data analysis is not a
sequential process, but a continuous interactive process that runs simultaneously with the data
collection phase. Also, the suggested manual data analysis strategy enabled the researcher to
systematically and consistently manage and analyse the large amount of qualitative data whilst
taking into account the theoretical framework of the cultural economy and economic geography
that was adopted for this study.

The researcher explored and initially used the NVivo software to manage and analyse the
qualitative data, taking a specialised training course on NVivo offered by Manchester Business
School, reviewing literature on qualitative data analysis with NVivo (e.g. Bazeley, 2007; Gibbs,
2002; Dey, 1993), and uploading the interview transcripts into the program. However, it became
obvious that NVivo allowed insufficient flexibility, especially in handling the semi-structured qualitative data; for example, it was observed that some of the relevant data in response to a particular question was mentioned in various places in the transcript, hence such data could not be captured and appropriately organised by NVivo. Therefore, the decision was taken to analyse the data manually rather than relying on computer software. Additionally, content analysis was dismissed as a technique for analysing the qualitative data because it is more suitable for positivist-based studies, necessitating coding the data and quantifying the qualitative material in order to commence the analysis (Berg, 2004; Holsti, 1969). Mayring (2004, p.269) argues that “content analysis is especially suitable for computer-supported research”, suggesting that this data analysis technique was not appropriate in this study, which focuses on understanding meanings rather than coding and counting the number of occurrences of certain words or selected units of analysis.

3.5 Research Validity and Reliability

The assurance of the quality of the information in terms of its validity and reliability is an important issue (Yin, 2009; Kvale and Brinkmann, 2009; Berry, 2002). The concept of validity is concerned with the extent to which the findings of the research are accurate and reflect the purpose of the study, as well as candidly representing reality; whereas reliability is the extent to which the research procedure is consistent (Holloway, 1997). Flick (2006) asserts that the quality and validity of the research can be maximised by triangulation of data sources and methods. Patton (2002) argues that triangulation within a qualitative study can be attained by combining a variety of data sources and mixing different types of purposeful samples, resulting in strengthening the study as different types enable cross-data validity checks. With this in mind, and in order to ensure the validity of the study and the objectivity of the findings, it was decided during the research design to use multiple sources of evidence for data collection and investigation. This includes the relevant written materials on the case study of Dubai including publicly available statistics, print and electronic journals, UAE and international newspaper articles, and specialised financial and economic reports from international financial institutions. Moreover, the empirical fieldwork elite interviews included interviewing four different groups of participants, three of which were asked the same questions in order to have comprehensive answers from all possible views and perspectives, and hence ensure unbiased views and ultimately increase confidence in the findings. Stake (2005, p.454) explains that “triangulation has been generally considered a process of using multiple perceptions to clarify meaning, verify the repeatability of an observation or interpretation”. Therefore, in addition to the use of a variety of sources of evidence, the findings from the empirical fieldwork interviews were triangulated among the different groups of interviewees to identify similarities and inconsistencies in the interviewees’ statements and answers. This is in addition to triangulating the findings from the interviews with the statistical macro-economic data and the available written materials to establish valid and unbiased credible academic research.
With regard to reliability in academic research, Kirk and Miller (1986) and Seale (1999) emphasise that it depends essentially on explicitly described procedures for commencing and documenting the study. In this respect, the author of this thesis has ensured a careful degree of procedural reliability with documentation of the collected secondary and primary data, which involved tape-recording, transcribing and taking notes of the elite interviews. This is in addition to the data management and analysis strategy that was explicitly outlined and empirically implemented in order to confirm consistency in handling the large volume of qualitative data. Kvale and Brinkmann (2009) argue that reliability has not only a methodological meaning, but it is also concerned with interviewing reliable participants, which was certainly the case in this study, as described above.

### 3.6 Research Ethics

It is commonly agreed that a qualitative researcher faces many ethical issues during the fieldwork data collection, data analysis and dissemination of the qualitative research studies (Creswell, 2007; Birch et al., 2002). Miller and Bell (2002, p.53) stress that “ethical considerations should form an ongoing part of the research”. This requires the researcher to consider an approach to ensure covering research ethics such as explaining the general purpose of the study and the role of the participants in the interviews, and how the collected data will be used; this is in addition to maintaining confidentiality toward the participants not only to gain their support and allow them to share their views freely and openly, but most importantly to protect them from any risk that may occur as a result of their participation in the study. Therefore, the researcher ensured close commitment to academic professionalism and the underlying research ethical issues by considering a number of measures.

Ethical practice involves developing and sharing with the participants an informed consent and ensuring their anonymity, because ethical analysis is considered an integral part of research ethics (King and Horrocks, 2010; Kvale and Brinkmann, 2009; Gibbs, 2007; Flick, 2006). First, prior to obtaining their agreement to participate in the study, the researcher developed and sent to all potential interviewees the information sheet shown in appendix F, which includes the purpose of the study, the role of the participant, what happens to the data collected, how confidentiality is maintained, the freedom of the interviewee to withdraw at any time since participation is on a voluntarily basis, and the contact address of the researcher. Secondly, the informed consent form in appendix G was signed by both the researcher and the interviewee, to document mutual agreement to commence the interview based on the discussed research standards. Thirdly, since confidentiality toward participants and maintaining the anonymity of the interviewees are considered the norm in academic studies, the researcher developed the interview code presented in appendix H, which is based on assigning a code to the participants when quoting certain statements in the body of the thesis, rather than mentioning the names of
individuals. This is because this case study is interested in composing a collective picture rather than the separate views of individuals.

3.7 Conclusion

In summary, this chapter presented the methodological approach to undertaking the doctoral research of the Dubai case study; it included a thorough explanation of the philosophical stance of the study, a detailed explanation of the adopted research design for data collection, management and analysis. This is in addition to the procedural measures and practices to ensure research ethics, quality, validity and reliability of the findings that would affirm a valid and responsible academic study.

In effect, this research project comprises two phases. The first phase, involving an exploration of all the written materials on the case study of Dubai from a variety of sources, which is developed in the following two chapters, detailing the socio-cultural and political context of Dubai, and explaining the macro-economic context. Chapters 6, 7 and 8 present a detailed analytical explanation and examination of the interview findings that are critically discussed in light of the theoretical framework introduced in chapter 2.
4.1 Introduction

As explained in chapter 2, the contextual features are important in understanding the construction of any given economy, since the economic activities are culturally embedded, making culture and economy interdependent (Crang, 1997; Slater and Tonkiss, 2001; Du Gay and Pryke, 2002; Law, 2002; Allen, 2002; Slater, 2002; Warde, 2002). This research is a case study of the Dubai model of economic development. Accordingly, and since the unit of analysis is the economy of Dubai, it is necessary at an early stage to study the context of Dubai in terms of its historical, social, political and institutional environment, in order to understand the spatial contextual characteristics and their influence on the character of the Dubai model.

This chapter describes the unique environment of the Dubai case study, from the historical development of Dubai, through the cultural and social structure of the emirate, its political and institutional structure and system of governance, to the nature of leadership in Dubai. Such an investigation will provide a comprehensive overview of the context of Dubai, and a necessary base for the critical analysis of its economic development. The chapter will enable not only a better understanding of the background of Dubai but it will also stimulate the empirical fieldwork interview questions. The answers to these questions are designed to address the third research question, “How is the Dubai model influenced by the cultural and political context of the UAE?”.

4.2 Overview

In order to better understand an economy, socio-cultural and political features along with the motivation of the economic actors have to be studied (Callon, 1998). This is because each country, as well as each city, is unique with regards to the political and socio-cultural structure that characterises and distinguishes it from other countries and cities (Clark et al., 2000; Scott, 2000; Pryke and Du Gay, 2007). Recognising such contextual differences is necessary in this study in order, first, to understand the national framework of Dubai, and second, to identify the contextual factors and their relationship with the economic trajectory of the emirate.

Dubai operates within the federation of the United Arab Emirates (UAE). However, since the 1990s it has developed a unique political and socio-cultural environment. This can be observed in its fast decision making and the implementation of urban projects and initiatives (Sampler and Eigner, 2008; Hvidt, 2009). The ruler of Dubai, Sheikh Mohammed Bin Rashid is, as was his father, a fast decision maker and eager to see results to an extent that “speed has become a trademark of Dubai” (Hvidt, 2009, p. 6). This fast decision making could be attributed to the
nature of the political leadership in Dubai, the relatively small size of the emirate, as well as the nature of the governance structure that tends to be more corporate-driven in its approach to governmental practices (Schmid, 2009). From a socio-cultural perspective, Dubai has developed a cosmopolitan culture due to the many nationalities living and working in the emirate (Elsheshtawy, 2004). Figure 12 shows the broad context of the Dubai model, combining the national context of the UAE and the local context of the emirate.

![Figure 12: Broad context of the Dubai model of economic development (Adapted from Tayeb, 2005)](image)

It is important to emphasise that there is no suggestion of two separate, isolated contexts, although Dubai has indeed developed its own distinctive contextual features. Dubai’s association with national and global communities is worth researching since it is constantly striving to grow as a global financial and commercial hub in the region (Suliman, 2006; Abdulla, 2006), while operating within the broader political and socio-cultural context of the state. Also, it is worth remembering that little research has been done on the political and socio-cultural structure of the UAE and Dubai, and almost no academic study has attempted to explain the relationship between the contextual factors and the Dubai model. Thus, this research will fill this gap in the literature.

### 4.3 The Historical Trajectory of Dubai

Dubai is one of the seven emirates that constitute the federal government of the UAE that was established in 1971: Abu Dhabi, Dubai, Sharjah, Ajman, Um al Qaiwain, Ras al Khaimah and Fujairah (Quilliam, 2003; Federal Research Division of Library of Congress, 2009). Dubai is located on the eastern coast of the Arabian Gulf; it has a total area of 4,114 square km, which is 4.9% of the total area of the UAE’s 83,600 square km, including the extra land reclaimed from
the sea as man-made islands (Dubai Statistics Center, 2011). Dubai is divided by Dubai Creek into Deira and Bur Dubai. Figure 13 shows the location of Dubai in relation to the other emirates.

**Figure 13: Dubai’s location on the map of the UAE (Google Map, 2012)**

Historically, Dubai was inhabited by fishermen, pearl divers and modest traders, who lived mainly beside the creek (Al-Sayegh, 1998). In the early 1830s, the status of Dubai started to change with the arrival of Sheikh Maktoum Bin Buti Al Maktoum, whose family was a branch of the Bani Yas Arabian tribe, from which the Al Nahyan family, the ruling family of Abu Dhabi, also originated (Quilliam, 2003; Federal Research Division of Library of Congress, 2009; Department of Economic Development-Government of Dubai, 2009). Sheikh Maktoum Bin Buti arrived with around 800 new settlers and became the first ruler of Dubai (Sampler and Eigner, 2008). Since then, the status of Dubai has developed gradually as part of a safe trade route, especially after the signing of a series of treaties with the British to provide security and safe passage to merchant ships (Al-Sayegh, 1998).

In the late 1890s, the ruler Sheikh Maktoum Bin Hasher Al Maktoum, played a major role in setting the seed for Dubai to become a well known trading port, by introducing tax-free, customs-free and licence-free policies, which in turn played a great role in attracting regional trade (Sampler and Eigner, 2008). During his rule, Dubai developed considerably under his policy of removing as many trade barriers as possible; this led to the birth of the free port and a rise in the number of boats to 400 (Davidson, 2008). Hence, pearling and trade experienced fast growth, forming the foundation for the emergence of Dubai as the main port on the coast, as well as the rise of Dubai’s position as a trading community especially during the period 1900 to 1929 (Pacione, 2005; Al-Sayegh, 1998). The importance of the lower Gulf area for pearl
fisheries and trade was noted by Harrison (1924, p.87): “the Trucial Coast is the second largest diving community in the region whose capital and largest city is Dubai”.

However, the introduction of manufactured Japanese pearls, combined with the depression of the late 1920s and 1930s, had a negative impact on the economy of Dubai, still largely dependent on the traditional pearling and trade (Al-Sayegh, 1998). The limitations of natural resources, infrastructure and facilities hindered the growth of trade until late 1958, when Sheikh Rashid Bin Saeed Al Maktoum became ruler on the death of his father Sheikh Saeed Al Maktoum (Sampler and Eigner, 2008; Dubai Municipality, 1998). Sheikh Rashid Bin Saeed is seen as the founder of modern Dubai. Under his rule, Dubai was transformed from a small regional port where people lived in modest traditional houses into a civilised, modern city known worldwide for international trade and commerce. During his rule, the basic urban infrastructure, starting with roads and other facilities, along with the initial administrative structure, was initiated: Dubai Municipality was established in 1954, the police force was formed in 1956, an electricity generating station was built by a private company in 1957, the Department of Water started operation in 1959, and telegraphs and telephones were introduced in 1959 (Dubai Municipality, 1998; Federal Research Division of Library of Congress, 2009). Under Sheikh Rashid Bin Saeed’s leadership and his close personal supervision, many significant economic projects were conceived, planned and implemented, such as dredging and expanding Dubai Creek to take large ships, and Dubai came to be seen as a favourable trading port (Sampler and Eigner, 2008; Dubai Municipality, 1998). Oil had not yet been discovered in Dubai, and Sheikh Rashid Bin Saeed decided to borrow funds from Kuwait in the early 1960s to pursue the ambitious plan of the Creek’s expansion and lay the foundation of urban development, including the opening of Dubai International Airport in 1960 (Sampler and Eigner, 2008).

The discovery of oil offshore in 1966 supported the emergence of Dubai and provided a source of revenue for the establishment of various industries. However, when Sheikh Rashid Bin Saeed was later asked in an interview with a Kuwaiti-based magazine “what the discovery of petroleum meant to Dubai”, he answered, “I would like to assure you that the appearance or non-appearance of petroleum does not much interest us. We are merchants and all this progress that you see came from trade, not from petroleum” (Dubai Municipality, 1998, p.58). Sheikh Rashid Bin Saeed aimed to focus on positioning Dubai as a city for international trade and free economy rather than promoting it as a city dependent on oil revenues. Major developments were established under his direct administration and further advanced during the rule of his sons, Sheikh Maktoum Bin Rashid and Sheikh Mohammed Bin Rashid. For example, the Dubai Chamber of Commerce and Industry was established in 1965, Port Rashid was built in 1972, the Dubai World Trade Centre in 1978, the Dry Dock in 1979, Jebel Ali Port in 1983 and the Jebel Ali Free Zone in 1985 (Federal Research Division of Library of Congress, 2009; Dubai Municipality, 1998; Sampler and Eigner, 2008). All these early infrastructural initiatives required the government to raise the necessary finance to fund them. Although the government had
borrowed funds from Kuwait in order to expand the Creek and enable new shipping companies and larger ships to use Dubai, it was the resulting boost in trading capacity and revenues that were deployed in pursuing further development plans. After the discovery of oil, the government was able to invest the oil revenues in further developing the infrastructure and initiating more urban projects (Sampler and Eigner, 2008).

After the death of Sheikh Rashid Bin Saeed in October 1990, his sons Sheikh Maktoum Bin Rashid Al Maktoum and Sheikh Mohammed Bin Rashid became respectively the ruler of Dubai and the Crown Prince; the latter was also the UAE’s Minister of Defence (Federal Research Division of Library of Congress, 2009), and became the official ruler of Dubai and the UAE’s Prime Minster in January 2006. The development of Dubai has continued during the rule of both brothers, and Sheikh Mohammed Bin Rashid has described his vision of further developing Dubai into a global city with advanced infrastructure and high-quality living standards (Sheikh Mohammed Bin Rashid Al Maktoum, 2010). His ambitions are fuelled by his desire to modernise the emirate of Dubai and put it on the world map, as witnessed by his personal involvement in all the projects. He oversees the projects not only from his office during the planning phase, but also and most notably by his regular personal presence during implementation and at the construction sites, with no prior notice (Sampler and Eigner, 2008).

The recent rapid growth of Dubai since the beginning of this millennium is believed to be attributable to the determination and leadership of Sheikh Mohammed, since his time as Crown Prince through to becoming the ruler of Dubai and the UAE Prime Minister (Sampler and Eigner, 2008; Schmid, 2009). Upon his appointment in 2006, he announced many strategic initiatives not only to foster Dubai’s position as a commercial hub, but he was also involved in developing the federal government to further enhance integration and accountability among federal bodies across all the emirates. For example, in February 2007 he announced the Dubai Strategic Plan 2015 to set the agenda for establishing a framework and aligning all Dubai government entities toward common targets. The five key pillars of the plan are: economic development; social development; infrastructure, land and environment; security, justice and safety; and government excellence (Dubai eGovernment, 2010). Furthermore, Sheikh Mohammed announced the UAE Government Strategy Plan in April 2007 and formed the Executive Council in 2003 under his direct supervision to govern and monitor the performance of the emirates’ governmental bodies as well as align their efforts toward implementing the Dubai Strategic Plan 2015 (Sheikh Mohammed Bin Rashid Al Maktoum, 2010).

4.4 The Social Structure of Dubai

The early initial urban development of Dubai and the establishment of administrative offices with basic facilities resulted in the creation of many jobs, attracting expatriates to live and join the workforce in Dubai. The populations rose from nearly 3,000 at the beginning of the twentieth
century to around 25,000 in 1947 (Sampler and Eigner, 2008). The discovery of oil and the construction of large infrastructure projects such as Port Rashid, Jebel Ali Port and Dubai International Airport created further jobs and attracted more foreign investors and workers to Dubai, increasing the population to about 183,000 in 1975 (Sampler and Eigner, 2008; Dubai Statistics Center, 2008). Furthermore, Dubai continuously invested in improving its urban infrastructure and liberalising its economy and business environment. It provided business facilities and incentives for 100 per cent foreign-ownership of residential and commercial properties, with fewer business restrictions, in order to maintain its competitive edge as a strategic regional centre for the global economy. Accordingly, the attractive commercial atmosphere of Dubai encouraged further foreign investment and more expatriate professionals and workers, which resulted in increasing the total population to over 2 million by 2012. Figure 14 shows Dubai’s population growth from 1975 to 2012 (Dubai Statistics Center, 2012).

One of the main observations about the population of Dubai is that it has an extremely large proportion of expatriates. In 2009, the United Nations Development Programme (UNDP) in their Human Development Report ranked the UAE second after Qatar in terms of migrant population as a share of the total population (Suliman and Hayat, 2011). Table 4 shows that the expatriate population constituted around 89 per cent of the UAE’s population of 8.3 million in 2011; consequently, Emirati labour represents a small proportion of the workforce (UAE National Bureau of Statistics, 2011).
In 1968, around 38 per cent of the population in Dubai was expatriate. By 1976, the proportion of foreigners had reached 60 per cent. This percentage kept increasing to reach 83 per cent in 1998, with around three-quarters Asians and the rest other Arabs and Europeans (Davidson, 2008). Although there has been no recent reliable official survey to indicate the percentage of expatriates, the number in 2009 was estimated at around 93 per cent of the total of 1.6 million of Dubai as a result of the high inflow since the 2000 economic boom (Dubai Statistics Center, 2009). The presence of expatriates has had a positive impact on the growth of Dubai as they have not only contributed to the rapid development of the emirate, but their presence has created a multicultural labour market that can be seen as a competitive advantage for Dubai and the UAE in general (Hvidt, 2009; Sulaiman and Hayat, 2011). Hvidt (2009) explains that from a developmental perspective, the large proportion of expatriates creates a uniquely favourable situation to suit its development needs for enormous flexibility in both the size and the qualifications of the workforce. However, this population imbalance might have unfavourable social and political consequences if not addressed and managed by the government.

Many factors are thought to contribute to the high proportion of expatriates in Dubai; First, Dubai’s rapid economic growth in various sectors, that included building specialised free zones such as Dubai Internet City, Dubai Media City, Dubai Healthcare City, Dubai International Financial Centre and others, required specialised professionals and skilled labour. This is especially true for senior positions in both functional activities such as strategic planning, finance and accounting, and human resource development, as well as industry specialists in urban planning, engineering, information technology, media, healthcare, education, and others (Davidson, 2008). The presence of these professionals has filled the existing shortage of skills gap of the young population of the emirate. Second, Dubai’s unprecedented boom between 2000 and 2008 in infrastructure construction and real estate required importing large numbers of construction labour, especially from the Far East (Davidson, 2008). Third, Dubai’s reputation as the region’s most favourable place to live and work attracted many Arab as well as Western expatriates who were looking for better career opportunities and higher salaries than they could expect in their home countries. Elsheshtawy (2004) reminds us that since its inception Dubai has attracted a variety of immigrants and merchants who came to live and work. Fourth, the

Table 4: Emirati and non-Emirati proportion of the UAE population in 2011

<table>
<thead>
<tr>
<th>Nationality</th>
<th>Total</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Emirati</td>
<td>947,957</td>
<td>11%</td>
</tr>
<tr>
<td>Non-Emirati</td>
<td>7,316,070</td>
<td>89%</td>
</tr>
<tr>
<td>Total</td>
<td>8,264,067</td>
<td>100%</td>
</tr>
</tbody>
</table>

(UAE National Bureau of Statistics, 2011)
business atmosphere and the incentives that Dubai provides, such as the income and corporate tax-free environment, efficient government, and political and economical stability, have offered a desirable foundation to many international companies to open their regional headquarters in the specialised economic free zones in Dubai (Hvidt, 2009). Many of these international companies tended to transfer existing skilled professionals to their new offices besides hiring from the available workforce in Dubai.

According to Dubai Statistics Center (2011), 79.1 per cent of the population of Dubai in 2011 were employed, with Emiratis constituting around 4 per cent (52,783 employees) of the workforce. Table 5 shows Emirati employment in Dubai in 2011; the majority were working mainly in public administration and defence (59 per cent), followed by financial intermediation (9 per cent), transport, storage and communications (7 per cent), and the balance across the other sectors.

Table 5: Emirati employment in Dubai in 2011

<table>
<thead>
<tr>
<th>Economic Activity</th>
<th>Total</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture, hunting, fishing and mining</td>
<td>460</td>
<td>1%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>1,585</td>
<td>3%</td>
</tr>
<tr>
<td>Construction</td>
<td>255</td>
<td>0%</td>
</tr>
<tr>
<td>Wholesale and retail trade</td>
<td>3,061</td>
<td>6%</td>
</tr>
<tr>
<td>Transport, storage and communications</td>
<td>3,663</td>
<td>7%</td>
</tr>
<tr>
<td>Real estate activities</td>
<td>2,835</td>
<td>5%</td>
</tr>
<tr>
<td>Financial intermediation</td>
<td>4,516</td>
<td>9%</td>
</tr>
<tr>
<td>Hotels and restaurants</td>
<td>172</td>
<td>0%</td>
</tr>
<tr>
<td>Education</td>
<td>2,732</td>
<td>5%</td>
</tr>
<tr>
<td>Health and social work</td>
<td>1,150</td>
<td>2%</td>
</tr>
<tr>
<td>Public administration and defence</td>
<td>31,120</td>
<td>59%</td>
</tr>
<tr>
<td>Community service activities</td>
<td>1,234</td>
<td>2%</td>
</tr>
<tr>
<td>International organisations</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Household chores</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Total</td>
<td>52,783</td>
<td>100%</td>
</tr>
</tbody>
</table>

(Compiled from Dubai Statistics Center, 2011)

In contrast, the expatriate workforce was around 96 per cent (1,273,166 employees) of Dubai total employment in 2011. Table 6 indicates that construction was the major employer in 2011 (30 per cent), as a result of the construction and real estate boom from 2000; this was followed by manufacturing (16 per cent), wholesale and retail trade (15 per cent), logistics (10 per cent), and real estate activities (9 per cent).
Table 6: Expatriate employment in Dubai in 2011

<table>
<thead>
<tr>
<th>Economic Activity</th>
<th>Total</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture, hunting, fishing and mining</td>
<td>21,943</td>
<td>2%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>200,376</td>
<td>16%</td>
</tr>
<tr>
<td>Construction</td>
<td>380,139</td>
<td>30%</td>
</tr>
<tr>
<td>Wholesale and retail trade</td>
<td>185,341</td>
<td>15%</td>
</tr>
<tr>
<td>Transport, storage and communications</td>
<td>127,550</td>
<td>10%</td>
</tr>
<tr>
<td>Real estate activities</td>
<td>116,835</td>
<td>9%</td>
</tr>
<tr>
<td>Financial intermediation</td>
<td>28,946</td>
<td>2%</td>
</tr>
<tr>
<td>Hotels and restaurants</td>
<td>57,747</td>
<td>5%</td>
</tr>
<tr>
<td>Education</td>
<td>31,064</td>
<td>2%</td>
</tr>
<tr>
<td>Health and social work</td>
<td>11,475</td>
<td>1%</td>
</tr>
<tr>
<td>Public administration and defence</td>
<td>15,150</td>
<td>1%</td>
</tr>
<tr>
<td>Community service activities</td>
<td>28,640</td>
<td>2%</td>
</tr>
<tr>
<td>International organisations</td>
<td>208</td>
<td>0%</td>
</tr>
<tr>
<td>Household chores</td>
<td>67,752</td>
<td>5%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,273,166</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

(Compiled from Dubai Statistics Center, 2011)

Table 7 illustrates Emirati occupations in Dubai in 2011; the majority were employed as technicians (29 per cent), professionals (19 per cent), and clerks (20 per cent).

Table 7: Emirati occupation breakdown in Dubai in 2011

<table>
<thead>
<tr>
<th>Emirati Occupation in Dubai in 2011</th>
<th>Total</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legislators and senior officials</td>
<td>4,222</td>
<td>8%</td>
</tr>
<tr>
<td>Professionals</td>
<td>9,891</td>
<td>19%</td>
</tr>
<tr>
<td>Technicians</td>
<td>15,377</td>
<td>29%</td>
</tr>
<tr>
<td>Clerks</td>
<td>10,756</td>
<td>20%</td>
</tr>
<tr>
<td>Services and sales</td>
<td>6,601</td>
<td>13%</td>
</tr>
<tr>
<td>Plant and machine operators</td>
<td>108</td>
<td>0%</td>
</tr>
<tr>
<td>Craft and related works</td>
<td>132</td>
<td>0%</td>
</tr>
<tr>
<td>Elementary occupations</td>
<td>178</td>
<td>0%</td>
</tr>
<tr>
<td>Skilled agriculture and fishery workers</td>
<td>54</td>
<td>0%</td>
</tr>
<tr>
<td>Armed forces</td>
<td>5,404</td>
<td>10%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>52,783</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

(Compiled from Dubai Statistics Center, 2011)

Table 8 shows that 57 per cent of the expatriates were working in craft and related works, elementary occupations and as plant and machine operators. The remaining 43 per cent of the expatriate labour force were professionals (12 per cent), in services and sales (11 per cent), and technicians (9 per cent).
Another feature of the social structure of Dubai is the high proportion of males in the total population, around 77 per cent in 2011 (see Table 9). This gender imbalance is due to the growing number of male expatriates who came to work in Dubai and decided to leave their families at home, either to reduce their living costs and save more, or because their terms of employment did not legally qualify them to bring their families with them (Davidson, 2008). Whatever the reason, such gender imbalance is critical and may lead to increasing sexual frustration and violence in the community.

This gender imbalance is clearly reflected in the workforce. Table 10 demonstrates that the proportion of employees in Dubai local government departments in 2011 was 20 per cent female; of these, 57 per cent were Emirati women and 43 per cent were non-Emirati. The proportion of women employed in federal ministries and institutions was 32 per cent of the total employment; of these, 73 per cent were Emirati women and 27 per cent were non-Emirati. The figures for employment in semi-government enterprises shows that 30 per cent were female and only 10 per cent of these were Emirati.
Additionally, it appears that the number of people of working age has grown significantly since 2000. The majority of Dubai's population in 2011 was between 20-24 and 45-49 years old. Table 11 demonstrates Dubai's population distribution by age. The growth is explained by the increased number of young expatriate professionals and workers attracted to live and work in Dubai.

Table 10: Employment in Dubai by gender in 2011

<table>
<thead>
<tr>
<th>Employment in Dubai Government Departments</th>
<th>Gender / Nationality</th>
<th>Emirati</th>
<th>Non-Emirati</th>
<th>Total</th>
<th>% of Female vs. Male</th>
<th>% of Emirati vs. Non-Emirati</th>
</tr>
</thead>
<tbody>
<tr>
<td>Female</td>
<td>8,337</td>
<td>6,353</td>
<td>14,690</td>
<td>20%</td>
<td>57% Emirati, 43% Non-Emirati</td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>19,066</td>
<td>41,116</td>
<td>60,182</td>
<td>80%</td>
<td>32% Emirati, 68% Non-Emirati</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>27,403</td>
<td>47,469</td>
<td>74,872</td>
<td>100%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Employment in Federal Ministries and Institutions</th>
<th>Gender / Nationality</th>
<th>Emirati</th>
<th>Non-Emirati</th>
<th>Total</th>
<th>% of Female vs. Male</th>
<th>% of Emirati vs. Non-Emirati</th>
</tr>
</thead>
<tbody>
<tr>
<td>Female</td>
<td>4,567</td>
<td>1,683</td>
<td>6,250</td>
<td>32%</td>
<td>73% Emirati, 27% Non-Emirati</td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>5,257</td>
<td>7,759</td>
<td>13,016</td>
<td>68%</td>
<td>40% Emirati, 60% Non-Emirati</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>9,824</td>
<td>9,442</td>
<td>19,266</td>
<td>100%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Employment in Semi-Government Enterprises</th>
<th>Gender / Nationality</th>
<th>Emirati</th>
<th>Non-Emirati</th>
<th>Total</th>
<th>% of Female vs. Male</th>
<th>% of Emirati vs. Non-Emirati</th>
</tr>
</thead>
<tbody>
<tr>
<td>Female</td>
<td>1,878</td>
<td>16,546</td>
<td>18,424</td>
<td>30%</td>
<td>10% Emirati, 90% Non-Emirati</td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>3,541</td>
<td>40,113</td>
<td>43,554</td>
<td>70%</td>
<td>8% Emirati, 92% Non-Emirati</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>5,419</td>
<td>56,659</td>
<td>62,078</td>
<td>100%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(Compiled from Dubai Statistics Center, 2011)

Table 11: Dubai population distributed by age in 2000, 2005 and 2011

<table>
<thead>
<tr>
<th>Age Group</th>
<th>2000</th>
<th>% of total population</th>
<th>2005</th>
<th>% of total population</th>
<th>2011</th>
<th>% of total population</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-4</td>
<td>48,354</td>
<td>6%</td>
<td>54,693</td>
<td>4%</td>
<td>73,916</td>
<td>4%</td>
</tr>
<tr>
<td>5-9</td>
<td>53,339</td>
<td>6%</td>
<td>56,322</td>
<td>4%</td>
<td>76,709</td>
<td>4%</td>
</tr>
<tr>
<td>10-14</td>
<td>50,597</td>
<td>6%</td>
<td>48,920</td>
<td>4%</td>
<td>76,308</td>
<td>4%</td>
</tr>
<tr>
<td>15-19</td>
<td>42,204</td>
<td>5%</td>
<td>43,617</td>
<td>3%</td>
<td>73,689</td>
<td>4%</td>
</tr>
<tr>
<td>20-24</td>
<td>70,926</td>
<td>8%</td>
<td>135,268</td>
<td>10%</td>
<td>203,771</td>
<td>10%</td>
</tr>
<tr>
<td>25-29</td>
<td>136,622</td>
<td>16%</td>
<td>256,384</td>
<td>19%</td>
<td>391,125</td>
<td>20%</td>
</tr>
<tr>
<td>30-34</td>
<td>139,106</td>
<td>16%</td>
<td>256,638</td>
<td>19%</td>
<td>392,806</td>
<td>20%</td>
</tr>
<tr>
<td>35-39</td>
<td>126,490</td>
<td>15%</td>
<td>185,987</td>
<td>15%</td>
<td>299,005</td>
<td>15%</td>
</tr>
<tr>
<td>40-44</td>
<td>86,722</td>
<td>10%</td>
<td>122,490</td>
<td>9%</td>
<td>186,861</td>
<td>9%</td>
</tr>
<tr>
<td>45-49</td>
<td>56,967</td>
<td>7%</td>
<td>72,730</td>
<td>6%</td>
<td>110,822</td>
<td>6%</td>
</tr>
<tr>
<td>50-54</td>
<td>29,027</td>
<td>3%</td>
<td>43,582</td>
<td>3%</td>
<td>68,309</td>
<td>3%</td>
</tr>
<tr>
<td>55-59</td>
<td>11,238</td>
<td>1%</td>
<td>19,596</td>
<td>1%</td>
<td>29,503</td>
<td>1%</td>
</tr>
<tr>
<td>60-64</td>
<td>5,173</td>
<td>1%</td>
<td>7,640</td>
<td>1%</td>
<td>10,896</td>
<td>1%</td>
</tr>
<tr>
<td>65-69</td>
<td>2,785</td>
<td>0%</td>
<td>3,162</td>
<td>0%</td>
<td>4,067</td>
<td>0%</td>
</tr>
<tr>
<td>70-74</td>
<td>1,477</td>
<td>0%</td>
<td>2,096</td>
<td>0%</td>
<td>2,923</td>
<td>0%</td>
</tr>
<tr>
<td>75+</td>
<td>1,362</td>
<td>0%</td>
<td>2,318</td>
<td>0%</td>
<td>3,260</td>
<td>0%</td>
</tr>
<tr>
<td>Total</td>
<td>862,387</td>
<td>100%</td>
<td>1,321,453</td>
<td>100%</td>
<td>2,003,170</td>
<td>100%</td>
</tr>
</tbody>
</table>

(Compiled from Dubai Statistics Center, 2011)
4.5 The Cultural Features of Dubai

As explained in chapter 2, the national culture of any given location cannot be excluded from the study of the economy because culture is believed to be one of the main factors influencing economic activities (Scott, 2000a; Du Gay and Pryke, 2002). There are various definitions of culture among scholars. From the sociological standpoint, the term culture means the values and attitudes that individuals belonging to a certain society hold in common (Tayeb, 2005). Tylor (1891, cited by Baali, 1988) remarks that culture is a complex whole that includes all forms of knowledge, beliefs, art, laws, customs, and any other capabilities acquired by people as members of society. Hofstede (1980, p.9) defines culture as “the collective programming of the mind that distinguishes the members of one group or category of people from another”. Hickson and Pugh (1995) describe culture as the common shared values that characterise a society, its arts, architecture, food, clothes, ways of working, ways of communicating and ways of meeting and greeting, whereas Tayeb (2005, p.21) suggests that culture is “historically evolved values, attitudes and meanings which are learned and shared by the members of a given community, and which influence their material and non-material way of life”. Jreisat (2002, p.111) refers to culture as “a totality of all the learned social behaviours of a given group that provides standards for perceiving, believing, evaluating and acting. It includes knowledge, belief, law, art, religion, morals, customs, habits, symbols, and rules of discourse in a social system”.

In this context, the historian and sociologist Ibn Khaldun (cited by Baali, 1988) emphasises that culture is a product of human society, and hence is learned from parents, teachers and others in that society. Thus, each country has a clear national culture that differentiates it from other countries (Denny, 2003). Additionally, Denny (2003, p.68) explains that “a nation’s culture or national character is shaped by historical, geographical and philosophical factors. As each country has a different history, geography and philosophy, so they have different culture”. Therefore, recognising such cultural differences is important in analysing and understanding people’s motives and behaviours, because the cultural context influences people-related issues such as values, work behaviours and decision making (Tayeb, 2005).

As shown in Table 12, the UAE is a Muslim Arab country whose cultural characteristics and social traditions are influenced both by the Islamic religion and by the Bedouin\(^1\) inherited values and way of life (Tayeb, 2005; Suliman, 2006). Social life as an Arab is centred around the values of the family, as well as the extended family, and involves respect to parents, elderly people, neighbours and all people regardless of their social or ethnic backgrounds (Tayeb, 2005). The Islamic principles of honesty, respect, kindness, working hard and taking care of others are expected from individuals in the UAE (Suliman, 2006).

\(^{1}\) Bedouin is a term used to define the tribal groups living in the desert part of the Middle East.
According to Ibn Khaldun (cited by Baali, 1988, p.33), culture “may change with a change of periods, the passing of days, the condition of the world and of nations, their customs and sects; [it] does not persist in the same form or in a constant manner”. In this context, it has been noted that the culture of the UAE has changed in terms of values and attitudes since the late 1980s, and more significantly the 1990s. It has been influenced by various factors that include the introduction of international education curricula in the UAE education system, the influence of globalisation and interaction with other cultures through satellite television channels, the Internet and direct face-to-face interaction with people from different nationalities who are living and working in the country (Suliman 2006). The cultural change has been apparent, for example, in the relationship between men and women, which is now taking a more open form, with more women in the workforce, freedom of choice in education, work and marriage for men and women alike. It is worth mentioning that the cultural change in the UAE in general and in Dubai in particular has been considerable, simply because the majority of the population are non-UAE nationals. Dubai’s socially diverse structure, as was explained earlier, has resulted in a multicultural society. Therefore, it would be worth studying how such a cultural diversity affects the model of Dubai, taking into account that there is a great debate among scholars in terms of how the national culture can be assessed (Al-Otaibi, 2010).

### 4.6 The Political and Institutional Structure of Dubai

It is crucial to understand the political and institutional structure of a country because all the broad national strategies are defined through the political institutions; thus, the political and institutional structure plays a major role in defining the framework by which individuals, private
and public organisations and all their activities function and interact (Tayeb, 2005). Dubai is a monarchical city-state with a stable political regime and stable government, ruled by Sheikh Mohammed Bin Rashid Al Maktoum who is also the Vice President and Prime Minister of the UAE. As explained in section 4.3, Dubai is one of the seven emirates that form the federal system of the UAE (Federal Research Division of Library of Congress, 2009); Sheikh Khalifa bin Zayed Al Nahayan is the President, and also the ruler of Abu Dhabi, the capital of the federation. Similar to its Gulf Cooperation Council (GCC) neighbour countries described by Lucas (2004) and Common (2008), the UAE is a monarchy whereby the political leadership and power are inherited in the ruling family within each of the seven emirates.

The political structure of the UAE as stated in the constitution has two levels, the federal government and the local government at each emirate level (UAE Federal National Council, 2010). The political hierarchy at the federal level, as shown in Figure 15, consists of the Supreme Council of the Rulers, which is the highest legislative and policymaking authority in the country, setting and overseeing the public policies for the state. It is responsible for policy formulation, election of the federal president and his deputy, and admitting new members to the federation. It consists of the rulers of the seven emirates headed by the President and Vice President of the union as a second authority (UAE Federal National Council, 2010; Quilliam, 2003). The third authority is the Council of Ministers with the Prime Minister as an executive authority combines the usual ministerial portfolios and the federal authorities that are responsible for security and defence, foreign affairs, nationality and immigration, the economy, education, public health, labour relations, currency, banking and financial issues, and postal, telephone and communication services (UAE Federal National Council, 2010; Suliman, 2006; Quilliam, 2003). Fourth, the Federal National Council (FNC) is considered the parliament of the federation, as it acts as a consultative and advisory entity for the Cabinet and the Supreme Council but does not overrule them. The FNC consists of forty members representing all the seven emirates: eight members from each of Abu Dhabi and Dubai, six from Sharjah and Ras Al Khaimah, and four from Fujairah, Ajman and Um Al Qaiwain (Suliman, 2006; Quilliam, 2003). In December 2006 a significant political initiative was taken by the government of the UAE to create greater participation by citizens in the political system, with elections for half of the members of the FNC (Sampler and Eigner, 2008). Sakr (2003) notes that the political leaders in the country support freedom of speech and expression. He adds that the status of the media in the UAE has been upgraded and that government policies and ministerial performance are openly criticised by both the media and the FNC.
The fifth institution in the federal structure is the Federal Judiciary as an independent authority that oversees the federal laws and legislation. Its total independence is guaranteed under the UAE constitution. The Federal Judiciary includes the Federal Supreme Court and the Courts of First Instance. The Federal Supreme Court comprises five judges appointed by the Supreme Council of Rulers, and these judges oversee and decide on the constitutionality of federal laws, the issuance of new laws and the continuity of the existing laws; they also arbitrate in case of any dispute between the emirates or between the federal government and the emirates (Suliman, 2006; Quilliam, 2003).

In addition to the existing federal system, each emirate has political and financial autonomy with its own local government departments, including local municipalities and departments of health, tourism and economic affairs (Suliman, 2006). The UAE constitution defines the specialisation of the federal government and the local governments as noted in Articles 3, 23, 116, 120, 121, 122, 123 of the constitution (UAE Federal National Council, 2010). Issues related to foreign affairs, defence, financial affairs and public security are determined in the constitution as federal issues, and other matters are left to the authority of the local governments. Article 3 declares that “all the emirates exercise sovereignty over its territory in all matters that do not fall within the speciality of the union under this constitution” (UAE Federal National Council, 2010, p.5). Also, article 116 states that “the emirates handle all the authorities that are not assigned to the federal government by the constitution” (UAE Federal National Council, 2010, p.45). Article 23 notes that “the natural wealth and resources in each emirate are owned by the emirate and have to be preserved and utilised for the benefit of the national economy” (UAE Federal National Council, 2010, p.10).

At the emirate level, Dubai has developed an institutional structure consisting of local governmental authorities and departments, such as the Dubai Chamber of Commerce, Dubai Municipality, Dubai Department of Tourism and Commerce Marketing, Dubai Police
Department, Dubai Electricity and Water Authority (DEWA), Roads and Transport Authority (RTA) and Dubai Department of Economic Development. Besides the emirate’s government departments, Dubai initiated The Executive Office (TEO) under the direct management of Sheikh Mohammed Bin Rashid in order to conceive and initiate mega-development projects, such as the specialised economic free zones including Dubai Internet City (DIC), Dubai Media City (DMC), Dubai International Academic City (DIAC), Dubai Healthcare City (DHCC) and Dubai International Financial Centre (DIFC) (Hvidt, 2009). The majority of the mega-projects in Dubai are under the management of three giant holding companies: the first is Dubai Holding, which is the ruler-owned holding company. The second company is Dubai World, which manages a portfolio of companies and projects for the government of Dubai across a wide range of industries. Dubai World includes DP World which has been a publicly listed company on the Dubai stock exchange since 2007 and on the London stock exchange since 2011, with 80 per cent of the shares owned by the government of Dubai (DP World, 2013a), and Nakheel, which is the property arm that built the Palm Islands.

The third holding company is the Investment Corporation of Dubai (ICD), which includes a large portfolio of diverse businesses. Emirates Airlines, for example, is fully owned by the government of Dubai. Emaar, the biggest and oldest master real estate developer in Dubai, is a publicly listed company of which the government of Dubai owns 31.22 per cent of the shares; the rest of the shares are owned by various individuals and corporations with less than 5 per cent ownership of the shares each (Dubai Financial Market-Emaar Profile, 2013). The Commercial Bank of Dubai is also a publicly listed company in the Dubai Financial Market with shareholders as follows: Dubai government 20 per cent, Al Futtaim private company 10.51 per cent, Arab Orient Insurance Company 8.84 per cent, Abdullah Hamad Al Futtaim 6.95 per cent, Ghabosh Trading and Investment 6.37 per cent and Abdul Wahed Hassan Al Rostamani 5.75 per cent (Dubai Financial Market-Commercial Bank of Dubai Profile, 2013). According to the UAE Securities and Commodities Authority, the regulator governing Dubai Financial Market and the publicly listed companies, article 3 of decision number (3/R) concerning the disclosure and transparency regulations states that every natural person or corporate person whose equity totals a percentage of 5 per cent or more of the shares of a company listed in the market must be disclosed (UAE Securities and Commodities Authority, 2013). It was noted that these three giant holding companies with their diverse portfolio of companies and projects are collectively referred to as government-related entities (GREs) by the investors, public and media. This term is used to combine all the companies and projects that the government initiated and has either full ownership of or equity shares within the companies. Thus, it was noted that not all the companies that are labelled as GREs are sovereign investments as some are companies operating on commercial terms and hence are not government entities.

In addition to The Executive Office, The Executive Council (TEC) was established in 2003 to oversee government policies, strategies and performance. The mandate of TEC is to study and
propose government policies and laws, develop a comprehensive strategic plan for the emirate, and ensure the application of the plan by monitoring the performance of the government departments and authorities (The Executive Council-Government of Dubai, 2012). Figure 16 shows the institutional structure in Dubai; its governance mechanism will be investigated as part of the empirical study. The institutional structure and decision making are predominantly centralised in the ruler of the emirate. This is similar in nature to the UAE and the neighbouring GCC countries, to ensure maintaining control and political power over the state (Common, 2008). In the case of Dubai, it has been argued that such centralisation in decision making allows a greater level of coordination and alignment among government departments and government-related entities (GREs), which in turn ensures fast decision making and facilitates the implementation of rapid development strategies (Hvidt, 2009). For example, the massive projects of the GREs required many essential supporting facilities from the local authorities such as road connections, electricity power stations, water and sewage treatment, which have been facilitated through the centralised nature of the Dubai institutional structure as a key feature of the Dubai model. The empirical part of this study will analyse the purpose of this organisational structure and whether it serves Dubai well.

Along with the formal government structure Dubai, like the UAE in general, has an informal setup that co-exists as a traditional inherited practice for informal discussions. It is known as Majlis, which is a traditional forum for communication, sharing ideas and discussing topics that might or might not be related to city-state issues (Sampler and Eigner, 2008). This traditional type of informality that is practised in Dubai, as well as in the other emirates, is rooted in and inherited from the Arab Islamic norms and the Bedouin traditions and culture.

![Figure 16: The institutional structure in Dubai](image-url)
4.7 The Governance System in Dubai

Political scholars in the field of public administration and public policy consider governance to have an important role in the socio-economic growth of a country, which in turn affects the well-being of the country’s citizens (Adams, 2008; Kjaer, 2004; Hyden et al., 2004). During the 1980s, the concept of governance evolved and exceeded its traditional meaning associated with government, to refer to processes and actors outside the narrow realm of government (Kjaer, 2004). However, there is no common agreement on the definition of governance, as there are various meanings in different academic disciplines (Kjaer, 2004; Hyden et al., 2004). Furthermore, it is believed that national policies are influenced not only by domestic but also by international forces, such as globalisation and global investment opportunities, which in turn affect the meaning and application of the notion of governance (Kjaer, 2004).

Governance has become a key concept in the international development debate that concerns international organisations such as the IMF and the World Bank (Pickhardt and Shinnick, 2008; Hyden et al., 2004). The concept of ‘good governance’ associated with a set of structural adjustment policies originated from a World Bank document of 1989 promoting sound economic development policies within any given state, based on the argument that adherence to these policies would help to promote the appropriate political and social environment (Najem, 2003). Good governance is concerned with fighting corruption, which destroys the credibility of public institutions and damages confidence in national systems (Pickhardt and Shinnick, 2008; Kaufmann, 2005). Adams (2008) stresses that a decline in business and institutional ethics has negative economic consequences on a country. Moreover, the notion of good governance includes economic liberalisation and establishing a market-friendly environment, transparency and accountability with regards to economic and political decision making, political liberalisation and democratisation, elimination of corruption, promotion of a civil society, guarantees of basic human rights such as freedom of expression, education, health; and other essential services (Najem, 2003). Accordingly, the focus of governance is on the government’s responsibility for results, accountability and efficiency of public policies and public administration to ensure economic and social development of the state (Kjaer, 2004; Hyden et al., 2004). This implies the ability to formulate and implement economic and social policies in an accountable and effective manner. Based on his studies of East Asian countries, Root (1996) argues that this ability seems to matter regardless of the type of regime or whether or not the state is democratic in the Western liberal sense. This view emphasises the importance of performance and results more than just the processes that occupied other scholars such as Hyden et al. (2004).

Little has been written about the practice of governance in the countries of the GCC (Najem and Hetherington, 2003; Najem, 2003). The academic literature tends to focus on issues of security and democratisation in the Gulf States of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the
UAE (Common, 2008). Despite the geographical proximity of the six Gulf States, it is important to recognise that each country has a unique political and socio-cultural contextual structure that characterises and distinguishes it from its neighbours. In the context of this study, the UAE, a young state established in 1971, is the only federation in the region. According to the UAE’s constitution, each emirate maintains the right to manage its internal domestic economic and administrative affairs in a manner that does not conflict with the federal umbrella (UAE Federal National Council, 2010). The governance in the country is practised through the formal institutions that constitute the political structure of the federal government at a federal level, as well as the local government institutions at each emirate level (Quilliam, 2003).

There are three unique features of governance and public administration in Dubai. First, it can be argued that the system in Dubai, and in the UAE in general, combines tradition with modernity by practising formal governance through official institutions while maintaining the city-state’s traditional character. This is demonstrated by the co-existence of the political hierarchical structure of the federal government, with the ruler’s office known as Dewan and The Executive Council in each emirate as formal entities; and the traditional informal channel of Majilis, where the ruler meets and listens to the people’s views on various topics. This informal forum has the advantage of making the ruler personally and pragmatically aware of the various opinions and needs of the people. However, the disadvantage is that it does not directly influence decision making or policy formation, instead functioning indirectly by establishing a perspective in the ruler’s mind. The second feature is that the type of governance in Dubai is believed to be corporate-driven, by which the ruler runs the emirate as a corporation (Schmid, 2009). Therefore, Dubai is often referred to as ‘Dubai Incorporated’ because the government management style is more like that of a business enterprise than a traditional Arabian monarchy (Schmid, 2009). The third feature is that governance in Dubai seems to be a hybrid model combining state-driven developments and economic liberalism in which development policies and strategies are largely set by the ruler within an environment that encourages market capitalism (Pacione, 2005). Dubai’s approach to public administration and public policies has been referred to as a state-led entrepreneurial approach (Pacione, 2005; Schmid, 2009). Moreover, it has been argued that the nature of governance adopted by Dubai suits the needs of its own local environment, history and culture, based on the belief that there is no universal ‘one size fits all’ with regard to the notions and practices of public administration, national decision making and governance (Pacione, 2005; Sampler and Eigner, 2008).

In this respect, the administrative culture in the governments of Arab countries, including overstaffing, outmoded systems, rigidity and complexity of rules, and an inadequate salary structure, that have hindered their economic development (Jabbar and Jabbar, 2005) does not characterise the government of Dubai. Some of the main factors that attracted businesses and investors to Dubai are modernisation of public services, ease of doing business, ease of government transactions, institutional frameworks, legislations and regulations (Hvidt, 2009).
For example, the Dubai e-government initiative was launched as a new approach in providing government services to people and businesses electronically through the Internet (Dubai.ae – Government of Dubai, 2013). Also, the institutional structure in Dubai combines the government departments and a new tier, The Executive Office, that manages the mega-projects and the free zones (Hvidt, 2009). Moreover, the city-state has adopted a corporate-driven governance and administrative culture, considered as a key feature enabling economic performance and overall development in Dubai (Schmid, 2009). The level of transparency as a measure of a government’s accountability and openness with regards to fighting corruption makes it easy for others to see the actions performed by the government (Transparency International, 2012)². The Corruption Perceptions Index (CPI) measures the perceived levels of corruption in 176 countries and territories around the world and ranks them according to how corrupt is their public sector; in 2012 the UAE was ranked number one in the Arab countries and number 27 globally, where 1 is the least corrupt country (Transparency International, 2012).

4.8 The Nature of Leadership in Dubai

Leadership is the way in which leaders, whether elected or appointed to a leadership position, behave (Leach and Wilson, 2000). Stone (1995) argues that leadership revolves around clear purpose and a compelling statement of mission that engages and gives direction to a group. Furthermore, the notion of leadership is associated with encouraging trusting behaviours, motivating, enlusing, and building meaningful relationships (Bass and Avolio, 1994). Hence, leadership can be defined as the ability to motivate, inspire, influence and enable others to contribute towards the effectiveness and success of the organisation or the body that they are part of (House et al., 2004). The leadership style plays a significant role because effective leadership has been considered as the most important factor ensuring growth and continuity, whether for an organisation or a country (Ali, 2011). Moreover, Doh and Strumph (2005) and Maak (2007) argue that ethics plays a vital role in shaping leadership behaviours because responsible and ethical leadership is believed to contribute significantly to decision making that leads to sustainability and legitimacy. At a national level, the task of initiating and developing national strategic direction and policies, setting civic social and economic agendas for national development and growth, building organisational cohesion among government authorities, networking and engaging all the stakeholders in the community as well as ensuring task implementation and accomplishment are considered to be the responsibility of the political leader(s); hence, the leader has to be present and involved (Leach and Wilson, 2000). Moreover, responsible political leadership results not only in social and economic modernity (Suliman and

² Transparency International is an international independent non-governmental research-based organisation established in 1993, with its headquarters in Berlin, Germany and 100 chapters worldwide. It is concerned with tackling corruption and promoting transparency, accountability and integrity across all sectors of society. The accountability and credibility of Transparency International’s work is measured and evaluated based on third-party examination of international agencies; including the Norwegian Agency for Development Cooperation (Norad), and the UK Department for International Development (DFID).
Hayat, 2011), but also ensures sound governance that enables overall efficient and rational
government performance. Abdulla (2010) stresses that there is a strong link between good
governance and responsible leadership, with the latter leading to the former. Conversely, lack of
performance is often attributed to an absence of sound leadership, which plays a key role in
articulating purposeful vision, shaping events and defining reality (Ali, 2011).

There is agreement among social scholars that leadership behaviour is determined culturally
and socially and hence varies with context (Suliman and Hayat, 2011; Randeree and Chaudhry,
2007). From this viewpoint, the characteristics of the political leadership in Dubai and the UAE
in general stem from the Arab-Islamic culture. The rapid development and growth of Dubai and
the UAE as a whole has been attributed to the political stability of the state and political
leadership of its rulers, who invested the petrodollars in building infrastructure and broadening
the state’s economy; they promoted a liberal business environment and integrated the country
into the global economy through encouraging FDI and breaking down trade barriers (Suliman
and Hayat, 2011; Davidson, 2009; Hvidt, 2009). Suliman and Hayat (2011) argue that the
country’s benefits from its political leadership are translated into social and economic policies,
which are in turn reflected in the national social and economic prosperity. According to a Doing
Business 2010 report, the UAE is one of the most active reformers in the region (The World
Bank, 2009a). The UAE deployed its natural resources in increasing prosperity and raising the
living standard of its citizens, leading in 2012 to a GDP of US $ 275.8 billion, a GDP per capita
of US $ 49,800, and a growth rate of 4 per cent (Central Intelligence Agency, 2013a). Although
there is no gini coefficient data available for the UAE to measure the extent of income
distribution, the UAE ranked high with respect to the prosperity index and human development
index in 2012, which included categories of education, health, entrepreneurship and
opportunity. The United Nations Human Development Index (2013) shows that the UAE was
ranked 29th globally in the Prosperity Index and 41st globally in the Human Development Index
in 2012. While the recent high oil prices have contributed to the prosperity of the country, Table
13 demonstrates that the UAE outperformed Saudi Arabia and Kuwait, which are considered the
oil richest Gulf states. This indicates that the UAE’s public policies have enabled the translation
of oil revenues into social and economic prosperity.

Table 13: UAE’s GDP, GDP per capita, prosperity and human development in comparison
with Kuwait and Saudi Arabia in 2012

<table>
<thead>
<tr>
<th>Country</th>
<th>GDP</th>
<th>Country Rank in Comparison to the World</th>
<th>GDP Per Capita</th>
<th>Country Rank in Comparison to the World</th>
<th>Prosperity Index (142 countries)</th>
<th>UN Human Development Index (188 countries)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kuwait</td>
<td>153.4</td>
<td>62</td>
<td>49,500</td>
<td>27</td>
<td>38</td>
<td>54</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>921.7</td>
<td>20</td>
<td>31,000</td>
<td>46</td>
<td>52</td>
<td>57</td>
</tr>
<tr>
<td>UAE</td>
<td>275.8</td>
<td>50</td>
<td>49,800</td>
<td>15</td>
<td>29</td>
<td>41</td>
</tr>
</tbody>
</table>

(Compiled from Central Intelligence Agency, 2013b; The 2012 Legatum Prosperity Index,
2013; United Nations Human Development Index, 2013)
Accordingly, the public policies implemented have resulted in ranking the country in 2012 high in global economic indices: the UAE was ranked first in the Arab World and nineteenth globally in the Global Enabling Trade Report; first in the Arab World and thirtieth globally in Travel and Tourism; second in the Arab World and sixteenth globally in the World Competitiveness Year Book; and second in the Arab World and thirty-third globally in the Doing Business Report (Emirates Competitiveness Council, 2013).

The political leadership in Dubai has played a major role in pursuing the development plans of the city-state. Sampler and Eigner (2008, p. 23) note that “much of Dubai’s success is attributed to the ruling Al Maktoum family, since they have been responsible for conceiving and driving major projects”. They also explain that the leadership was proactive in pursuing innovative major projects, starting with expanding the Creek and building Jebel Ali Port, when few believed there was adequate demand. Today, Jebel Ali Port positions Dubai as the world’s third largest re-export centre (Hvidt, 2009). Similarly, the political leadership developed new initiatives, including Dubai Internet City, Dubai Media City and Dubai International Financial Centre, in order to encourage private investors to enter the market. It is acknowledged that the political leadership in Dubai is deeply involved not only in initiating strategic development plans, but also in following up the projects throughout their implementation to the completion phase; Sampler and Eigner (2008) remark that “Sheikh Mohammed Bin Rashid, as was his father, is a frequent visitor to the major projects he has instigated, checking and talking to managers and workers, driving alone in his own car, with no officials, with great energy and enthusiasm”. The Sheikh’s leadership style like his father’s, is more akin to that of business corporations (Schmid, 2009). Sampler and Eigner (2008) explain that the ruler’s open-door policy and accessibility is strongly echoed in the management of the government. They also note that during his meetings, whether at the emirate or the federal level, Sheikh Mohammed consistently emphasises the importance of performance and delivering results, quality, best practice from around the world, strategy and innovation.

Since the formation of the UAE in 1971 and the inception of its education system, the late president Sheikh Zayed bin Sultan Al Nahayan promoted and supported women’s rights in education and work, as well as the role of women in all fields. Under the UAE constitution, women enjoy the same legal status, claim to titles, access to education, healthcare and social welfare and the same right to practice professions as men. Article 14 of the constitution (UAE Federal National Council, 2010, p.8) states that “equality, social justice, ensuring safety and security and equality of opportunity for all citizens shall be the pillars of the society”. According to United Nations Human Development Report (2013), the UAE was ranked fortieth out of 148 countries in the 2012 gender inequality index, the best performance among the Arab states in the region. The promotion of women’s education has resulted in increasing the proportion of females in higher education. Table 14 indicates that women in the UAE had a higher literacy level (73.1 per cent) than their male counterparts (61.3 per cent) in 2012, much higher than the
average of 31.8 per cent for Arab states and the second highest in the GCC region after Bahrain. Although women’s right to enrol in education and participate in the labour market is encouraged by the government of the UAE, Table 14 shows that women’s participation in the labour force in 2012 was only 43.5 per cent, as against 92.3 per cent for men. This rate is nevertheless higher than the average for Arab states, and is the second highest in the GCC region after Qatar. Women’s high literacy rate was not reflected in the labour force participation rate, perhaps because of the preference of some Emirati women to stay at home and look after the family despite their high education level.

Table 14: Gender Inequality Index (GII) in 2012

<table>
<thead>
<tr>
<th>Country</th>
<th>GII Rank (out of 149 countries)</th>
<th>Population with at Least Secondary Education (%)</th>
<th>Labour Force Participation Rate (%)</th>
<th>Female Seats in Parliament (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bahrain</td>
<td>45</td>
<td>74.4, 80.4</td>
<td>39.4, 87.3</td>
<td>18.8</td>
</tr>
<tr>
<td>Kuwait</td>
<td>47</td>
<td>53.7, 46.6</td>
<td>43.4, 82.3</td>
<td>6.3</td>
</tr>
<tr>
<td>Oman</td>
<td>59</td>
<td>47.2, 57.1</td>
<td>28.3, 81.6</td>
<td>9.6</td>
</tr>
<tr>
<td>Qatar</td>
<td>117</td>
<td>70.1, 82.1</td>
<td>51.8, 95.2</td>
<td>0.1</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>145</td>
<td>50.3, 57.9</td>
<td>17.7, 74.1</td>
<td>0.1</td>
</tr>
<tr>
<td>UAE</td>
<td>40</td>
<td>73.1, 81.3</td>
<td>43.5, 92.3</td>
<td>17.5</td>
</tr>
<tr>
<td>Average Arab States</td>
<td>-</td>
<td>31.8, 44.7</td>
<td>22.8, 74.1</td>
<td>13</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>34</td>
<td>99.6, 99.8</td>
<td>55.6, 68.5</td>
<td>22.1</td>
</tr>
<tr>
<td>United States</td>
<td>42</td>
<td>94.7, 94.3</td>
<td>57.5, 70.1</td>
<td>17</td>
</tr>
</tbody>
</table>

(Compiled from United Nations Human Development Programme - International Human Development Indicators, 2013)

Moreover, Emirati women are encouraged in political life, ministerial posts and senior administrative positions within UAE government. A total of 66 per cent of the government sector is represented by women, 30 per cent of whom are in senior positions, including the diplomatic service and diplomatic postings abroad, and higher posts in government (Ministry of State for Federal National Council Affairs, 2013). Table 14 indicates that 17.5 per cent of the FNC parliamentary seats were held by women in 2012, which is higher than the average for Arab states and the second highest in the GCC region after Bahrain. The government of the UAE significantly empowered the role of women in ministerial posts with the appointment in 2004 of Sheikha Lubna Al Qasimi, the first Emirati woman to hold a ministerial post in the country; after a time as Minister of Economy and Planning, she was subsequently promoted to her current post as Minister of Foreign Trade. Her role is promoting trade relations throughout the world was recognised in 2012 by Forbes Magazine, which ranked her at 67 among the world’s 100 most powerful women (Forbes, 2013). In 2008, the government of the UAE increased the number of women ministers to four; two women ambassadors were appointed, serving Sweden and Spain, and the first female judge was appointed. This is in addition to the UAE’s first woman registrar, in a region where the testimony of a woman to have equal value to a
man's is commonly questioned. This made the UAE only the second Arab country with a female marriage registrar after Egypt (Ministry of State for Federal National Council Affairs, 2013).

The UAE is active in its continuous promotion of the role and status of women in society, including leadership roles, establishing national organisations and initiatives concerning women's empowerment. The General Women’s Union (GWU) was established in 1975 and has been involved in the United Nations advancement of women initiatives. The Dubai Women Establishment (DWE) was initiated by the government of Dubai in 2008 to empower the role of women in the UAE. Amongst the DWE initiatives were the Women Leadership Exchange Program (UAE – Sweden) and the launch of a UAE Women Leadership Programme based on a custom-made programme for developing potential Emirati women leaders (Dubai Women Establishment, 2013; Ministry of State for Federal National Council Affairs, 2013).

4.9 Conclusion

The aim of this chapter was to explain the socio-cultural and political environment of Dubai, as a basis for analysing how the economy of the city-state operates within the context of the emirate as well as the larger national environment. The chapter presented an overview of Dubai, outlining the history of the emirate as a merchant community, which characterised its social and cultural nature as well as its public policies and the strategic directions of the decision makers. It demonstrated that Dubai has a diverse social structure with a fast-growing population consisting of 89 per cent expatriates. It has explained how the cultural features in Dubai stem from Arab Islamic values, which have accommodated the growing multicultural nature of society.

The chapter also explained the political and institutional structure of Dubai under the umbrella of the federal system of the UAE. Dubai is a monarchical city-state where public policies and decisions are made through both the federal system and government entities at the emirate level. Dubai has adopted a corporate-driven form of governance by which the ruler runs the emirate as a company; this will be further investigated in the empirical chapters. The chapter went on to describe the political leadership in Dubai, which was credited with setting the strategic direction and pursuing the development plans of the emirate.

In conclusion, this chapter comprehensively demonstrated the contextual setting of Dubai, forming the foundation for analysing, explaining and assessing the Dubai model of economic development. The next chapter will discuss in depth the economy of Dubai, which is the unit of analysis of this study.
5.1 Introduction

Dubai's economy experienced steady economic growth in the 1990s, followed by an unprecedented GDP growth rate during the period 2000-2008, reaching 44.7 per cent in 2004, 26.7 per cent in 2005 and 72.1 per cent in 2006, with oil accounting for less than 5 per cent of the GDP (Dubai Statistics Center, 2012a). However, the global financial crisis of late 2007 has impacted the emirate's economy, presenting significant challenges to policymakers and questioning the viability of the Dubai model of economic development. This chapter aims to explain the macro-economic context of Dubai. The objective is, first, to demonstrate the economic structure of Dubai and its economic performance since the beginning of this millennium, specifically in 2008 at its peak before the impact of the global financial crisis was felt in the emirate. The second objective is to describe the impact of the global financial crisis on the economy of Dubai from several dimensions, which include the extent of the impact on the financial status of the emirate, its economic performance, the banking sector, real estate sector, and the confidence and reputation of Dubai in maintaining its plans and preserving its attraction to retain foreign investments. This will be followed by discussing the government's responses to manage the economy in light of the crisis.

This chapter presents the economic performance of Dubai before and since the global financial crisis. A wide range of data was gathered from a variety of publicly available sources, including detailed economic statistical data, and financial and economic reports published by financial institutions and international and local press. This diverse source of data is essential to establish a comprehensive, unbiased understanding of Dubai's economic situation, because some foreign media published news designed to generate negative sentiments about the economy, such as *The Dark Side of Dubai* (Hari, 2009) and *Dubai Long Goodbye* (Bloch, 2010). At the same time, the local media were publishing news intended to generate positive sentiments, such as *Dubai more competitive than ever* (Augustine, 2010a) and *Dubai disproves its critics* (Tsiounis, 2010).

5.2 The Economic Background of Dubai

The emergence of Dubai stems from the historical importance of the Gulf region's important geographical role as a waterway and trade route connecting the Gulf traders with other merchants in the Indian Ocean, Southeast Asia and the east coast of Africa. Today, the importance of the Gulf region is largely due to its rich oil reserves, 715 billion barrels or 57 per cent of the world’s total oil (Cleveland, 2010). The geographical location and its wealth in oil and
gas have attracted the attention of the world to the GCC region. This is in addition to the recognition by GCC policy makers of the necessity of attracting FDI as a source of capital injection into their local economies. Figure 17 shows that FDI inflows into the GCC countries significantly increased since the beginning of the millennium, to reach about US $ 60.1 billion in 2008. The UAE and Saudi Arabia attracted 80 per cent of the total US $ 278 billion FDI flowing into the GCC over the past 20 years. Saudi Arabia is the largest Arab recipient of FDI, attracting around US $ 147.1 billion over the past two decades. The UAE is the GCC’s second largest recipient, with US $ 73.4 billion or 26 per cent of the FDI during the same period (John, 2010).

As explained in the previous chapter, Dubai’s geographic location encouraged the emergence in the nineteenth century of an economy dependent on fishing, the pearling industry, boat building and trade with India, Pakistan, Iran and east Africa (Davidson, 2008). The economic policies undertaken by the rulers of Dubai at that time boosted the economy; for example, in the 1890s, Sheikh Maktoum bin Hasher Al Maktoum introduced tax-free, customs-free and licence-free policies to attract regional and international merchants and entrepreneurs including Persians, Indians and the British to consider Dubai as an attractive port and trade hub to and from the Indian sub-continent (Sample and Eigner, 2008; Davidson, 2008). Another example is dredging the Creek in the early 1960s to allow large ships to be served (Sample and Eigner, 2008). The discovery of oil in Dubai in 1966 gave a significant boost to the economy, and when oil production started in late 1969, Sheikh Rashid Bin Saeed invested the revenue in developing the urban infrastructure and establishing Dubai as a commercial hub, building Port Rashid and dredging the Jebel Ali Port (Federal Research Division of Library of Congress, 2009). Today, Jebel Ali Port is the largest man-made harbour in the world, making Dubai the third largest re-exporter worldwide after Hong Kong and Singapore (Hvidt, 2009).
Since the 1980s, the Dubai government has focused on attracting foreign investment in pursuit of its aim to diversify the economy away from oil (reserves were estimated to run out by 2016) and into other sources of national income (Suliman, 2006; Federal Research Division of Library of Congress, 2009). Therefore in 1985, Dubai established the Jebel Ali Free Zone to complement Jebel Ali Port, providing international companies with office space, warehouses and factory shells within a tax- and customs-free zone (Hvidt, 2009). Other industrial activities were established, such as building Dubai Aluminium (Dubal), opened in 1979; a liquid natural gas plant (Dugas) in 1980; and Dubai Cabling Company (Ducab) in 1981 (Davidson, 2008). Although these industrial initiatives are up and running today, Dubai did not continue developing the industry sector.

5.3 Macroeconomic Performance of Dubai

The economy of Dubai has developed significantly over the last three decades, despite the fact that its small oil reserves could not be relied upon as a major source of national income. Unlike its oil-rich neighbours, the emirate cannot be described as an oil-dependent economy (Hvidt, 2009). Instead, the policy of business openness and the economic initiatives adopted by the government have supported Dubai in becoming a diversified economy. This section describes the macro-economic performance of Dubai since the beginning of this millennium.

5.3.1 The Composition and Growth of the Gross Domestic Product

Table 15 shows how the economy of Dubai has grown from a real GDP at basic constant prices of US $ 18 billion in 2001 to US $ 86.7 billion in 2012.

Table 15: GDP growth of Dubai from 2001 to 2012

<table>
<thead>
<tr>
<th>Year</th>
<th>GDP Value (in million US Dollar)</th>
<th>Growth Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>17,991</td>
<td></td>
</tr>
<tr>
<td>2002</td>
<td>18,825</td>
<td>4.6%</td>
</tr>
<tr>
<td>2003</td>
<td>20,816</td>
<td>10.6%</td>
</tr>
<tr>
<td>2004</td>
<td>30,125</td>
<td>44.7%</td>
</tr>
<tr>
<td>2005</td>
<td>38,170</td>
<td>26.7%</td>
</tr>
<tr>
<td>2006</td>
<td>65,681</td>
<td>72.1%</td>
</tr>
<tr>
<td>2007</td>
<td>77,145</td>
<td>17.5%</td>
</tr>
<tr>
<td>2008</td>
<td>79,885</td>
<td>3.5%</td>
</tr>
<tr>
<td>2009</td>
<td>77,701</td>
<td>-2.7%</td>
</tr>
<tr>
<td>2010</td>
<td>80,451</td>
<td>3.5%</td>
</tr>
<tr>
<td>2011</td>
<td>83,103</td>
<td>3.3%</td>
</tr>
<tr>
<td>2012</td>
<td>85,752</td>
<td>4.4%</td>
</tr>
</tbody>
</table>

(Compiled from Dubai Statistics Center, 2012a)
This thesis is concerned with studying the economy of Dubai before and after the global financial crisis. 2008 has been taken as the dividing line, since this year witnessed the peak of the emirate’s economic boom. According to Table 16, the major contributors to Dubai’s GDP in 2001 were wholesale and retail trade (15 per cent), transport, storage and communication (15 per cent), manufacturing industries (15 per cent), with around 8 per cent from oil. By 2008 there was greater participation of the non-oil sectors, with 29.3 per cent from wholesale and retail trade, 17.6 per cent from real estate, 13.7 per cent from construction, and only 1.9 per cent from oil revenues. It is apparent that Dubai has been engaged in a process of economic expansion and diversification driven by service-based industries. Note that the real estate sector grew from 9 per cent in 2001 to 17.6 per cent in 2008, as a consequence of government policies to boost urban development which led to a real estate boom. The real estate and construction sector included developing residential and commercial mega-projects as well as establishing specialised free zones to boost the economy. The empirical part of this study will analytically examine whether the sectoral composition of Dubai’s GDP was intentional and planned by the government, or market-driven; it will also investigate the extent to which the government was in control of economic performance.

<table>
<thead>
<tr>
<th>Economic Activity</th>
<th>Percentage Contribution (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2001</td>
</tr>
<tr>
<td>Agriculture, Live Stock and Fishing</td>
<td>1</td>
</tr>
<tr>
<td>Mining and Quarrying</td>
<td>8</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>15</td>
</tr>
<tr>
<td>Electricity, Gas and Water</td>
<td>2</td>
</tr>
<tr>
<td>Construction</td>
<td>8</td>
</tr>
<tr>
<td>Wholesale, Retail Trade and Repairing Services</td>
<td>15</td>
</tr>
<tr>
<td>Restaurants and Hotels</td>
<td>4</td>
</tr>
<tr>
<td>Transports, Storage and Communication</td>
<td>15</td>
</tr>
<tr>
<td>Real Estate and Business Services</td>
<td>9</td>
</tr>
<tr>
<td>Social and Personal Services</td>
<td>2</td>
</tr>
<tr>
<td>Financial Corporations Sector</td>
<td>11</td>
</tr>
<tr>
<td>Government Services Sector</td>
<td>9</td>
</tr>
<tr>
<td>Domestic Services of Households</td>
<td>1</td>
</tr>
</tbody>
</table>

(Compiled from Dubai Statistics Center, 2012a)

5.3.2 Foreign Trade

Table 17 shows that Dubai’s total foreign trade grew from US $ 30.5 billion in 2001 to US $ 336.5 billion in 2012. Total foreign trade increased consistently from 2001 until 2009, when it witnessed a decline of 19.3 per cent due to a reduction in imports of 26.7 per cent, and of re-
exports of 8.6 per cent, as a result of the global economic crisis of 2007. However, the following three years experienced positive growth in total foreign trade, by 19.6 percent in 2010, 20.7 per cent in 2011, and 13.4 per cent in 2012.

Table 17: Dubai’s foreign trade (value in million US $) from 2001 to 2012

<table>
<thead>
<tr>
<th>Year</th>
<th>Imports</th>
<th>Growth Rate (%)</th>
<th>Exports</th>
<th>Growth Rate (%)</th>
<th>Re-Exports</th>
<th>Growth Rate (%)</th>
<th>Total Foreign Trade</th>
<th>Growth Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>22,669</td>
<td>-</td>
<td>1,610</td>
<td>-</td>
<td>6,178</td>
<td>-</td>
<td>30,453</td>
<td>-</td>
</tr>
<tr>
<td>2002</td>
<td>24,553</td>
<td>8.5%</td>
<td>1,738</td>
<td>8.0%</td>
<td>8,070</td>
<td>30.6%</td>
<td>34,402</td>
<td>13.0%</td>
</tr>
<tr>
<td>2003</td>
<td>29,628</td>
<td>20.5%</td>
<td>1,793</td>
<td>3.2%</td>
<td>10,318</td>
<td>27.5%</td>
<td>41,707</td>
<td>21.2%</td>
</tr>
<tr>
<td>2004</td>
<td>40,612</td>
<td>37.1%</td>
<td>2,628</td>
<td>46.5%</td>
<td>15,542</td>
<td>51.1%</td>
<td>58,782</td>
<td>40.9%</td>
</tr>
<tr>
<td>2005</td>
<td>78,884</td>
<td>94.2%</td>
<td>5,784</td>
<td>120.1%</td>
<td>40,205</td>
<td>158.7%</td>
<td>124,875</td>
<td>112.4%</td>
</tr>
<tr>
<td>2006</td>
<td>90,165</td>
<td>14.3%</td>
<td>27,487</td>
<td>375.2%</td>
<td>21,338</td>
<td>46.9%</td>
<td>138,994</td>
<td>113.3%</td>
</tr>
<tr>
<td>2007</td>
<td>119,719</td>
<td>32.8%</td>
<td>33,573</td>
<td>22.1%</td>
<td>27,422</td>
<td>28.5%</td>
<td>181,714</td>
<td>30.0%</td>
</tr>
<tr>
<td>2008</td>
<td>175,259</td>
<td>46.4%</td>
<td>44,395</td>
<td>32.2%</td>
<td>35,048</td>
<td>27.8%</td>
<td>254,702</td>
<td>40.9%</td>
</tr>
<tr>
<td>2009</td>
<td>128,490</td>
<td>26.7%</td>
<td>44,966</td>
<td>1.3%</td>
<td>32,032</td>
<td>-8.6%</td>
<td>205,489</td>
<td>-19.3%</td>
</tr>
<tr>
<td>2010</td>
<td>149,001</td>
<td>16.0%</td>
<td>57,581</td>
<td>28.1%</td>
<td>39,243</td>
<td>22.5%</td>
<td>245,827</td>
<td>15.6%</td>
</tr>
<tr>
<td>2011</td>
<td>179,396</td>
<td>20.4%</td>
<td>30,150</td>
<td>-47.6%</td>
<td>87,178</td>
<td>122.1%</td>
<td>296,725</td>
<td>20.7%</td>
</tr>
<tr>
<td>2012</td>
<td>200,967</td>
<td>12.0%</td>
<td>44,339</td>
<td>47.2%</td>
<td>91,202</td>
<td>4.6%</td>
<td>336,502</td>
<td>13.4%</td>
</tr>
</tbody>
</table>

(Compiled from Dubai Statistics Center, 2012b)

Table 17 also demonstrates that Dubai has a negative trade balance, that is its imports are greater than its exports. In 2001, imports accounted for 74.4 per cent of the total foreign trade, exports for 5.3 per cent, and re-exports 20.3 per cent. This significantly negative trade balance is attributed to the government’s economic policy of free trade, with no trade quotas, trade barriers, taxes or customs duty on imported raw materials and equipment, and no levy on exports and imports (Jebel Ali Free Zone, 2013c). In addition, the current twenty-three specialised free zones in specific industries facilitated the import of goods for the UAE market (Department of Economic Development-Government of Dubai, 2011). The government of Dubai has recognised the need to promote exports by establishing Dubai Exports as a government agency providing trade information and foreign markets policy analysis, as well as financial, legal and foreign trade facilities, to encourage small and medium-size enterprises in the UAE to explore international markets and expand their export operations (Dubai Exports, 2012). In 2012, the contribution of exports in total foreign trade increased to 13.2 per cent, re-exports increased to 27.1 per cent, while imports declined to 59.7 per cent.

Based on figures from the Dubai Statistics Center (2012b), the main imports in 2001 were machinery, electronics and electrical equipment (US $ 4.9 billion, or 21.4 per cent); pearls, precious stones and metals (US $ 4.5 billion or 19.2 per cent); vehicles, aircraft and vessels (US $ 2.8 billion or 12.3 per cent); and textiles and textile articles (US $ 1.4 billion or 11.1 per cent). The major exports in the same year were base metals and articles of metals (US $ 878 million, 54 per cent); and textile and textile articles (US $ 218 million, 13.5 per cent). The key re-exports
were machinery, electronics and electrical equipment (US $ 1.5 billion, 24.9 per cent); pearls, precious stones and metals (US $ 1.1 billion, 17.6 per cent); and textiles and textile articles (US $ 832 million, 13.5 per cent).

By 2011, the major imports were pearls, precious stones and metals (US $ 55 billion, 30.7 per cent); and machinery, electronics and electrical equipment (US $ 45.8 billion, 25.5 per cent). In the same year, the main exports were pearls, precious stones and metals (US $ 17.6 billion, 58.4 per cent). Re-exports were machinery, electronics and electrical equipment (US $ 30.5 billion, 35 per cent); and pearls, precious stones and metals (US $ 27.6 billion, 31.7 per cent) (Dubai Statistics Centre, 2012b). It is apparent from these figures that pearls, precious stones and metals played a growing role in the total foreign trade of Dubai; this is a result of the government initiative of establishing the Dubai Multi Commodities Centre (DMCC), launched in 2002 to enhance commodity trade flows through Dubai and to establish the emirate as a centre for the trade of gold, precious metals, diamonds and pearls, and other commodities including cocoa, coffee, tea, grains, oil seeds, herbs and spices (Dubai Multi Commodities Centre, 2013). This initiative included establishing the Dubai Diamond Exchange (DDE) in 2005 to promote Dubai as a diamond trade hub, providing diamond and precious stones companies with a platform from which to trade and network. DDE is affiliated with the World Federation of Diamond Bourses (WFDB) and is the only bourse of its type in the region (Dubai Diamond Exchange, 2013a). In 2011, Dubai was ranked among the top three diamond trading centres in the world, with over US $ 39 billion trading through the DDE (Dubai Diamond Exchange, 2013b).

5.3.3 Foreign Direct Investment

The government of Dubai has encouraged Foreign Direct Investment (FDI) in non-oil sectors such as trade, tourism, logistics, financial services, real estate and construction (Suliman, 2006). Table 18 shows that the total FDI grew from US $ 16.8 billion in 2007 to US $ 33.7 billion in 2011. The major contributors to FDI in 2011 were the financial services (38 per cent), the wholesale and retail trade (26 per cent), and real estate activities (21 per cent). Table 19 illustrates that the United Kingdom was the largest contributor to Dubai’s FDI in 2010 and 2011 (21 per cent and 19 per cent respectively), followed by Japan (12 per cent and 11 per cent) and France (5 per cent and 6 percent). It was noted by the Dubai FDI office that the 23 specialised free zones accounted for 65 to 70 per cent of the foreign investment in January 2013 (Dubai FDI, 2013b).
Table 18: Dubai’s FDI by economic sector from 2007 to 2011 (value in million US $)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Mining and quarrying</td>
<td>347</td>
<td>347</td>
<td>347</td>
<td>347</td>
<td>347</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>1,645</td>
<td>1,571</td>
<td>1,144</td>
<td>497</td>
<td>471</td>
</tr>
<tr>
<td>Construction</td>
<td>1,553</td>
<td>1,972</td>
<td>2,293</td>
<td>3,323</td>
<td>3,307</td>
</tr>
<tr>
<td>Wholesale and retail trade</td>
<td>8,743</td>
<td>6,649</td>
<td>5,306</td>
<td>3,770</td>
<td>3,065</td>
</tr>
<tr>
<td>Hotels and restaurants</td>
<td>23</td>
<td>280</td>
<td>280</td>
<td>280</td>
<td>347</td>
</tr>
<tr>
<td>Transport, storage and communications</td>
<td>974</td>
<td>725</td>
<td>471</td>
<td>343</td>
<td>231</td>
</tr>
<tr>
<td>Financial intermediation</td>
<td>12,716</td>
<td>12,009</td>
<td>8,765</td>
<td>7,900</td>
<td>5,617</td>
</tr>
<tr>
<td>Real estate, renting and business activities</td>
<td>6,955</td>
<td>6,249</td>
<td>4,741</td>
<td>5,095</td>
<td>3,285</td>
</tr>
<tr>
<td>Other activities</td>
<td>748</td>
<td>612</td>
<td>384</td>
<td>109</td>
<td>105</td>
</tr>
<tr>
<td>Total</td>
<td>33,704</td>
<td>30,414</td>
<td>23,730</td>
<td>21,563</td>
<td>16,776</td>
</tr>
</tbody>
</table>

(Compiled from Dubai Statistics Center, 20013)

Table 19: Top states contributing to Dubai’s FDI in 2010 and 2011

<table>
<thead>
<tr>
<th>Country</th>
<th>2011 Value</th>
<th>2011 %</th>
<th>2010 Value</th>
<th>2010 %</th>
</tr>
</thead>
<tbody>
<tr>
<td>United Kingdom</td>
<td>6,537</td>
<td>19%</td>
<td>6,302</td>
<td>21%</td>
</tr>
<tr>
<td>Japan</td>
<td>3,578</td>
<td>11%</td>
<td>3,563</td>
<td>12%</td>
</tr>
<tr>
<td>France</td>
<td>2,179</td>
<td>6%</td>
<td>1,462</td>
<td>5%</td>
</tr>
<tr>
<td>India</td>
<td>1,595</td>
<td>5%</td>
<td>1,449</td>
<td>5%</td>
</tr>
<tr>
<td>United States</td>
<td>1,452</td>
<td>4%</td>
<td>1,301</td>
<td>4%</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>1,094</td>
<td>3%</td>
<td>1,164</td>
<td>4%</td>
</tr>
<tr>
<td>Netherlands</td>
<td>1,061</td>
<td>3%</td>
<td>1,008</td>
<td>3%</td>
</tr>
<tr>
<td>Switzerland</td>
<td>739</td>
<td>2%</td>
<td>722</td>
<td>2%</td>
</tr>
<tr>
<td>Oman</td>
<td>575</td>
<td>2%</td>
<td>526</td>
<td>2%</td>
</tr>
<tr>
<td>Kuwait</td>
<td>358</td>
<td>1%</td>
<td>518</td>
<td>2%</td>
</tr>
</tbody>
</table>

(Compiled from Dubai Statistics Center, 2011)

5.4 The Strategy of Economic Diversification

The emirate’s strategy of economic diversification is considered one of the dominant features of the Dubai economy, by which the emirate jumped from pearling and trading to a service-based economy (Hvidt, 2009). Given the emirate’s modest oil reserves, the government recognised in the 1990s the need to diversify its economy through leveraging its historic status as a commercial hub, building more infrastructure, and developing non-oil related sectors to enrich its economic portfolio (Davidson, 2008). Therefore, the government invested its oil revenues in economic initiatives and activities that could strengthen the income-earning potential of the emirate.
5.4.1 Infrastructure, Transport and Logistics Sector

The government of Dubai invested heavily in developing its infrastructure, and advancing its transport systems and public utilities to position the emirate as a hub for business and commerce (Elsheshtawy, 2004). Dubai International Airport, built in 1960 with the region’s first duty-free shop (Davidson, 2008), has gone through a series of developments and expansion. Today Dubai Airport contributes significantly to the economy of Dubai. According to the International Civil Aviation Organization (ICAO), it handled 50.8 million passengers in 2011, making it the 12th busiest airport in the world by passenger traffic, and the 4th busiest by international passenger traffic (International Civil Aviation Organization, 2011). The government further invested in Dubai’s position as a transport hub by building a second airport, Al Maktoum International Airport, opened in June 2010, and part of the US $ 33 billion Dubai World Central master plan (Saleem, 2010; Dubai World Central, 2013).

Table 20 shows that the passenger movement at Dubai International Airport, including arrivals, departures and transit, grew from 13.5 million in 2001 to 50.98 million in 2011. Table 21 illustrates the cargo movement, which increased from 610.8 thousand tons in 2001 to 1.99 million tons in 2011.

**Table 20: Passenger movement at Dubai International Airport from 2001 to 2011**

<table>
<thead>
<tr>
<th>Year</th>
<th>Arrivals (in millions)</th>
<th>Departures (in millions)</th>
<th>Transit (in millions)</th>
<th>Total (in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>6,212.379</td>
<td>6,188.432</td>
<td>1,107.212</td>
<td>13,508.023</td>
</tr>
<tr>
<td>2002</td>
<td>7,522.238</td>
<td>7,376.965</td>
<td>1,074.143</td>
<td>15,973.391</td>
</tr>
<tr>
<td>2003</td>
<td>8,651.712</td>
<td>8,523.354</td>
<td>887.278</td>
<td>18,062.344</td>
</tr>
<tr>
<td>2004</td>
<td>10,572.384</td>
<td>10,206.063</td>
<td>942.527</td>
<td>21,711.933</td>
</tr>
<tr>
<td>2005</td>
<td>12,110.908</td>
<td>11,811.383</td>
<td>859.996</td>
<td>24,772.280</td>
</tr>
<tr>
<td>2006</td>
<td>14,109.299</td>
<td>13,910.223</td>
<td>863.204</td>
<td>28,788.726</td>
</tr>
<tr>
<td>2007</td>
<td>16,687.008</td>
<td>16,354.249</td>
<td>866.853</td>
<td>34,348.110</td>
</tr>
<tr>
<td>2008</td>
<td>18,569.274</td>
<td>18,060.033</td>
<td>849.139</td>
<td>37,441.440</td>
</tr>
<tr>
<td>2009</td>
<td>19,114.219</td>
<td>19,003.933</td>
<td>829.763</td>
<td>39,961.752</td>
</tr>
<tr>
<td>2010</td>
<td>23,010.860</td>
<td>23,186.930</td>
<td>786.628</td>
<td>50,977.960</td>
</tr>
<tr>
<td>2011</td>
<td>24,907.936</td>
<td>25,284.078</td>
<td>785.947</td>
<td></td>
</tr>
</tbody>
</table>

(Compiled from Dubai Statistics Center, 2012d)

**Table 21: Cargo movement at Dubai International Airport from 2001 to 2011 (in tons)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Quantity of Discharged Goods (in tons)</th>
<th>Quantity of Loaded Goods (in tons)</th>
<th>Total (in tons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>349,653</td>
<td>261,214</td>
<td>610,867</td>
</tr>
<tr>
<td>2002</td>
<td>425,465</td>
<td>338,788</td>
<td>764,253</td>
</tr>
<tr>
<td>2003</td>
<td>506,336</td>
<td>423,422</td>
<td>929,758</td>
</tr>
<tr>
<td>2004</td>
<td>602,948</td>
<td>508,698</td>
<td>1,111,646</td>
</tr>
<tr>
<td>2005</td>
<td>710,036</td>
<td>622,979</td>
<td>1,333,014</td>
</tr>
<tr>
<td>2006</td>
<td>758,684</td>
<td>652,279</td>
<td>1,410,963</td>
</tr>
<tr>
<td>2007</td>
<td>853,858</td>
<td>738,882</td>
<td>1,592,740</td>
</tr>
<tr>
<td>2008</td>
<td>969,962</td>
<td>770,846</td>
<td>1,740,808</td>
</tr>
<tr>
<td>2009</td>
<td>1,006,611</td>
<td>822,484</td>
<td>1,829,095</td>
</tr>
<tr>
<td>2010</td>
<td>1,122,480</td>
<td>947,580</td>
<td>2,070,040</td>
</tr>
<tr>
<td>2011</td>
<td>1,112,935</td>
<td>982,418</td>
<td>2,095,353</td>
</tr>
</tbody>
</table>

(Compiled from Dubai Statistics Center, 2012d)
One of the strategic additions to Dubai’s portfolio of assets, and the aviation industry in particular, was the establishment of Emirates Airlines (EK) in 1985 (Sample and Eigner, 2008). The airline is the Dubai-based national airline, wholly owned by the government of Dubai but run on a commercial basis and receiving no financial support or protection as it has operated under the government’s unconditional open skies policy since its inception. EK was established to support Dubai’s position in aviation, travel, tourism and leisure industries. The Emirates Group has built up a workforce of more than 62,000 employees and multiplied their fleet to more than 170 aircraft (The Emirates Group, 2013). Table 22 indicates that EK was ranked first in terms of international scheduled passengers-kilometres flown and international scheduled freight ton-kilometres in 2012. Table 23 demonstrates that the total revenue and the operating profit of EK grew from US $ 2.1 billion and US $ 201 million in 2001 to US $ 21.1 billion and US $ 996 million in 2012.

**Table 22: International scheduled passenger-kilometres flown and freight ton-kilometres in 2012**

<table>
<thead>
<tr>
<th>Rank</th>
<th>Airline</th>
<th>Scheduled Passenger - Kilometres Flown</th>
<th>Rank</th>
<th>Airline</th>
<th>Scheduled Freight Ton - Kilometres</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Emirates Airlines</td>
<td>180,880</td>
<td>1</td>
<td>Emirates Airlines</td>
<td>9,319</td>
</tr>
<tr>
<td>2</td>
<td>United Airlines</td>
<td>140,711</td>
<td>2</td>
<td>Cathay Pacific Airways</td>
<td>8,433</td>
</tr>
<tr>
<td>3</td>
<td>Lufthansa</td>
<td>136,882</td>
<td>3</td>
<td>Korean Air</td>
<td>8,099</td>
</tr>
<tr>
<td>4</td>
<td>Air France</td>
<td>125,968</td>
<td>4</td>
<td>FedEx</td>
<td>7,787</td>
</tr>
<tr>
<td>5</td>
<td>Delta Airlines</td>
<td>126,141</td>
<td>5</td>
<td>Lufthansa</td>
<td>7,170</td>
</tr>
<tr>
<td>6</td>
<td>British Airways</td>
<td>121,272</td>
<td>6</td>
<td>Singapore Airlines</td>
<td>6,594</td>
</tr>
<tr>
<td>7</td>
<td>Ryanair</td>
<td>96,991</td>
<td>7</td>
<td>UPS Airlines</td>
<td>5,452</td>
</tr>
<tr>
<td>8</td>
<td>Cathay Pacific Airways</td>
<td>93,842</td>
<td>8</td>
<td>British Airways</td>
<td>4,728</td>
</tr>
<tr>
<td>9</td>
<td>Singapore Airlines</td>
<td>92,944</td>
<td>9</td>
<td>China Airlines</td>
<td>4,538</td>
</tr>
<tr>
<td>10</td>
<td>KLM</td>
<td>80,281</td>
<td>10</td>
<td>EVA Air</td>
<td>4,470</td>
</tr>
</tbody>
</table>

(International Air Transport Association, 2013a, 2013b)

**Table 23: Emirates Airlines’ total revenue and operating profit from 2001 to 2012**

<table>
<thead>
<tr>
<th>Financial Year</th>
<th>Total Revenue (million US $)</th>
<th>Operating Profit (million US $)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001-02</td>
<td>2,129</td>
<td>201</td>
</tr>
<tr>
<td>2002-03</td>
<td>2,790</td>
<td>306</td>
</tr>
<tr>
<td>2003-04</td>
<td>3,818</td>
<td>520</td>
</tr>
<tr>
<td>2004-05</td>
<td>5,202</td>
<td>764</td>
</tr>
<tr>
<td>2005-06</td>
<td>6,605</td>
<td>802</td>
</tr>
<tr>
<td>2006-07</td>
<td>8,483</td>
<td>990</td>
</tr>
<tr>
<td>2007-08</td>
<td>11,214</td>
<td>1,478</td>
</tr>
<tr>
<td>2008-09</td>
<td>12,325</td>
<td>748</td>
</tr>
<tr>
<td>2009-10</td>
<td>12,372</td>
<td>1,124</td>
</tr>
<tr>
<td>2010-11</td>
<td>15,634</td>
<td>1,619</td>
</tr>
<tr>
<td>2011-12</td>
<td>16,024</td>
<td>708</td>
</tr>
<tr>
<td>2012-13</td>
<td>21,127</td>
<td>998</td>
</tr>
</tbody>
</table>

(Compiled from the Emirates Group, 2013)
Dubai also invested in developing various types of urban infrastructure and transport. Dubai Ports authority, an entity of the conglomerate Dubai World that is in charge of managing Port Rashid and Port Jebel Ali, pursued expansion plans by acquiring operations of other overseas ports (Davidson, 2008). This resulted in the formation of Dubai Ports World (DP World) in September 2005, a global company with its business focus on transport, logistics, dry docks and maritime activities across Asia, Africa, Europe, Australia and South America (DP World, 2013b). By 2008, DP World was the fourth largest port operator in the world, managing 15 ports (65 marine terminals) in the Middle East, Africa, Asia, Latin America, Europe, and Australia (Davidson, 2008). The company also acquired P&O’s British facilities and the US-based CSX International to bring its total worth to around US $ 8 billion (Davidson, 2008).

In addition to the Dubai Municipality that was established in 1957, the government formed the Roads and Transport Authority (RTA) to focus on developing the road network and improve the public transport services including the bus system, a water bus system, and the Dubai Metro. The metro is the first urban rail system of its type in the region, increasing the number of transport options for both citizens and visitors, and offering a solution to the problem of increasing amounts of traffic in the streets of Dubai (Bardsley, 2009). The first phase of the Dubai Metro system was opened in September 2009; it carried 30 million passengers during its first year of operation (Billing et al., 2009; White, 2010). All this urban and infrastructure modernisation is a key pillar of Dubai Strategic Plan 2015, that aims to develop an integrated infrastructure to meet the growing economic and social demands (Dubai eGovernment, 2010).

5.4.2 Tourism and Leisure Sector

From the 1990s, the government’s continuous efforts to develop non-oil related industries have included its commitment to establish the emirate as a major tourist destination, for leisure, shopping, festivals, exhibitions and sporting events (Davidson, 2008). Table 24 shows that the number of hotels grew from 264 in 2001 to 399 in 2012, resulting in an increase in the total number of rooms from 21,428 to 57,345, and with a high occupancy rate reaching 78 per cent in 2012. Also, hotel-apartment buildings increased from 133 in 2001 to 200 in 2012 with an increase in the total number of flats from 7,113 to 23,069, and occupancy rate of 77.2 per cent in 2012.
Furthermore, the government initiated many activities to foster tourism by establishing a wide range of events and activities in a variety of fields including retail, technology, film and music, sports, and other specialised events. The Dubai Shopping Festival (DSF) was launched in 1996, as the largest shopping event in the region; it stimulated hotels, restaurants and shops, and positioned Dubai as a shopping and entertainment destination. According to the Dubai Statistics Center (2011), the total number of visitors to DSF increased from 1.5 million with a total spending of US $ 845 million in 1997 to 3.98 million with a total spending of US $ 4.1 billion in 2011. The government also launched Dubai Summer Surprises (DSS) in 2001 to attract tourists during the summer months. Visitors increased from 1.5 million, spending US $ 514 million in 2004, to 4 million, spending US $ 2.4 billion, in 2011 (Dubai Statistics Center, 2011). In addition, specialised festivals include the International Film Festival, Dubai International Jazz Festival and Dubai Desert Rock Festival (Davidson, 2008).

The government also provides facilities through the Dubai World Trade Centre to host a wide range of exhibitions and conferences in support of its aim to make Dubai a year-round destination. Table 25 shows that 78 exhibitions were organised at the Dubai World Trade Centre in 2012, attracting 36,212 exhibiting companies and 1.19 million visitors. 197 meetings and conferences were held in the same year, attracting 232,525 delegates.

Table 24: Total number of hotels and hotel-apartment buildings from 2001 to 2012

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of Hotels</th>
<th>No. of Rooms</th>
<th>Room Occupancy (%)</th>
<th>No. of Flat</th>
<th>Flat Occupancy (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>264</td>
<td>21,428</td>
<td>60.9</td>
<td>133</td>
<td>7,113</td>
</tr>
<tr>
<td>2002</td>
<td>272</td>
<td>23,170</td>
<td>70.2</td>
<td>128</td>
<td>8,185</td>
</tr>
<tr>
<td>2003</td>
<td>271</td>
<td>25,571</td>
<td>72.4</td>
<td>100</td>
<td>7,609</td>
</tr>
<tr>
<td>2004</td>
<td>276</td>
<td>28,155</td>
<td>81</td>
<td>95</td>
<td>7,278</td>
</tr>
<tr>
<td>2005</td>
<td>290</td>
<td>28,610</td>
<td>84.6</td>
<td>100</td>
<td>7,777</td>
</tr>
<tr>
<td>2006</td>
<td>302</td>
<td>30,850</td>
<td>82</td>
<td>111</td>
<td>8,755</td>
</tr>
<tr>
<td>2007</td>
<td>319</td>
<td>32,617</td>
<td>81.4</td>
<td>125</td>
<td>10,190</td>
</tr>
<tr>
<td>2008</td>
<td>341</td>
<td>37,261</td>
<td>80.4</td>
<td>152</td>
<td>13,196</td>
</tr>
<tr>
<td>2009</td>
<td>352</td>
<td>43,419</td>
<td>68.8</td>
<td>188</td>
<td>16,066</td>
</tr>
<tr>
<td>2010</td>
<td>382</td>
<td>51,115</td>
<td>70</td>
<td>191</td>
<td>19,840</td>
</tr>
<tr>
<td>2011</td>
<td>387</td>
<td>53,828</td>
<td>74</td>
<td>188</td>
<td>21,016</td>
</tr>
<tr>
<td>2012</td>
<td>389</td>
<td>57,345</td>
<td>78</td>
<td>200</td>
<td>23,000</td>
</tr>
</tbody>
</table>

(Compiled from Dubai Statistics Center, 2012e)

Table 25: Total number of exhibitions and conferences in Dubai in 2010, 2011 and 2012

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Exhibitions</th>
<th>Exhibiting Companies</th>
<th>Number of Visitors</th>
<th>Number of Meetings and Conferences</th>
<th>Number of Delegates</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>83</td>
<td>28,905</td>
<td>998,731</td>
<td>291</td>
<td>130,085</td>
</tr>
<tr>
<td>2011</td>
<td>75</td>
<td>31,556</td>
<td>1,217,169</td>
<td>76</td>
<td>83,191</td>
</tr>
<tr>
<td>2012</td>
<td>78</td>
<td>36,212</td>
<td>1,187,760</td>
<td>197</td>
<td>232,525</td>
</tr>
</tbody>
</table>

(Dubai Statistics Center, 2013a)
5.4.3 Specialised Free Zones

Jebel Ali Free Zone (JAFZA) was the first economic zone to be established by the government in 1985. By 2013 JAFZA was home to 7,100 companies (Jebel Ali Free Zone, 2013a). JAFZA contributes 25 per cent to Dubai’s GDP on a year to year basis, and it also accounts for about 20 per cent of FDI inflows to the UAE (Jebel Ali Free Zone, 2013b). The operational success of JAFZA in attracting foreign firms stimulated the government to extend the model by establishing several free zones specialising in specific industries: information technology, media, financial services, healthcare, higher education and human development. All these free zones provide 100 per cent exemption from corporation tax, permit 100 per cent foreign ownership, 100 per cent repatriation of profits, opportunities for business interaction and networking, advanced communication infrastructure and visa facilities (Davidson, 2008; Dubai Internet City, 2010).

Dubai Internet City (DIC) was the first specialised free zone initiative, launched in 2000 to provide a platform for international companies dedicated to Information and Communication Technology (ICT) to establish regional headquarters and expand their businesses in the region. By 2010 DIC was host to more than 850 companies with some 10,000 workers, and housed the regional headquarters of international companies including Microsoft, Cisco Systems, IBM, Dell, HP, Siemens, Sun Microsystems, Sony Ericsson, Canon and Oracle (Dubai Internet City, 2010). At the same time, Dubai Media City (DMC) was launched as a regional media hub to attract media-related companies, including media and marketing services, printing and publishing, broadcasting and information services (Dubai Media City, 2010). DMC hosts around 800 companies including many known regional and international firms, such as BBC, CNN, Reuters, LBC from Lebanon, MBC and Al Arabiya from Saudi Arabia (Dubai Media City, 2010). These specialised technology and media free zones provide infrastructure and facilities that are viable for international companies from a strategic business standpoint. However, the extent to which these companies have contributed in turning Dubai into a high-tech economy, and whether they have actually invested in research and development (R&D) in Dubai, will be critically investigated during the empirical fieldwork through interviews with both government officials and companies in the DIC and DMC.

In addition to establishing itself as a commercial hub, Dubai aims to become a knowledge-based economy. Therefore, Dubai Knowledge Village (DKV) was launched in 2003 adjacent to DIC and DMC as the first free zone specialising in human resource development (Davidson, 2008; Dubai Knowledge Village, 2010). By 2010 DKV was playing host to over 450 institutions including branches of several universities such as the University of Wollongong from Australia, the European University College in Brussels, Mahatma Gandhi University from India, Middlesex University and Heriot-Watt University (Dubai Knowledge Village, 2010). The government’s desire to attract more universities, combined with the demand from international universities to
open branches in Dubai, led to the establishment of Dubai International Academic City (DIAC) in 2007. Currently, DIAC hosts 21 of the UAE’s 37 international university branch campuses, including Manchester Business School, University of Bradford, Cambridge College International, Middlesex University, Michigan State University, the University of Exeter and the University of Phoenix (Dubai International Academic City, 2010). The Knowledge and Human Development Authority (KHDA) was established by the government in 2006 as a regulatory authority responsible for monitoring and promoting the quality of private education and learning in Dubai, which includes early childhood education centres, schools, universities and training institutions. Establishing DKV, DIAC, KHDA focused respectively on attracting international universities and promoting the education sector in the emirate, based on the need to upgrade the level of education and to develop the emirate’s human capital, a key pillar of Dubai Strategic Plan 2015.

In 2004 and 2005 the government established the Dubai International Financial Centre (DIFC) and Dubai International Financial Exchange (DIFX) to address the need for a well-regulated financial centre in the region that could bridge the gap between Western hubs (New York and London) and Eastern hubs (Tokyo and Hong Kong), serving the Middle East, North Africa and the Indian subcontinent (Sampler and Eigner, 2008). DIFC was established as a financial platform for banking, financial services, asset and wealth management, insurance and Islamic finance (Davidson, 2008). By 2012 it had become the home for 912 active registered companies, of which 795 were financial institutions and finance-related companies, and 117 were retailers registered within the DIFC (International Financial Centre, 2012). Among the international financial institutions are KPMG, Swiss Private, Swiss International Legal, Merrill Lynch, Credit Suisse, Standard Chartered, Morgan Stanley, HSBC, Deutsche Bank and Lloyds TSB (Davidson, 2008; Sampler and Eigner, 2008; Dubai International Financial Centre, 2012). In 2012 The Banker, a global financial intelligence publication established in 1926 and owned by the Financial Times, ranked the DIFC 6th out of 53 international financial centres (Dubai International Financial Centre, 2012).

The government of Dubai continued to initiate and develop other specialised free zones. Dubai Healthcare City (DHCC) was launched in 2002 to become a dedicated free zone hosting healthcare-related businesses, clinics and medical centres. DHCC today includes representatives of the Harvard Medical School, Boston University Hospital, and over 90 outpatient medical centres and diagnostic laboratories with more than 1,700 medical professionals (Dubai Healthcare City, 2010). The government also established the Biotechnology and Research Park (DuBiotech) in 2005 as a dedicated free zone for life sciences companies to set up their operations. DuBiotech has 70 biotechnology, pharmaceutical and laboratory equipment companies, with testing laboratories, including international firms like Pfizer, Amgen, Merck Serono and Genzyme (DuBiotech, 2013). The Al Jalila Foundation was launched in November 2012 with a mandate to encourage medical education and research in partnership with the private sector (Al Jalila Foundation, 2013).
5.4.4 Real Estate and Construction Sector

The government diversification strategy was extended to include real estate, including residential and commercial properties, tourism and entertainment. Since the beginning of this millennium, Dubai has encouraged more foreign investment from individuals and corporate bodies alike, to buy freehold residential and commercial properties by initiating many multi-use developments. The 99-year lease and 100 per cent foreign ownership ‘freehold’ were new concepts in the GCC region, as expatriates had not been allowed to buy residential or commercial properties. However, the government of Dubai granted the GREs the privilege to offer their properties for sale to expatriates in certain areas. These companies significantly contributed in transforming the urban landscape of the emirate, starting with Emaar Properties which was formed in 1997 as a publicly listed company with 31.22 per cent of shares owned by the government of Dubai; it was the first government supported master property developer to offer property to expatriates on 99-year leases and then a freehold basis. Emaar delivered signature residential, commercial, retail, hotel and entertainment developments, including the landmark Burj Khalifa, the world’s tallest tower when it was completed in January 2010; and Dubai Mall, which is the world’s fourth largest shopping mall (Burj Khalifa, 2010). The second developer that contributed to the massive growth of Dubai’s real estate is Nakheel, which launched the iconic project The Palm Island. The third conglomerate company is Dubai Holding, which pursues its business in real estate and other commercial and financial sectors.

The real estate sector in Dubai witnessed a boom in the number of projects introduced not only by the GREs but also by private companies established by local and foreign investors who entered the market to benefit from the real estate boom of the 2000s. According to Table 26, the total number of buildings completed increased from 2,445 in 2001 to 3,133 in 2011, while the total number under construction increased from 6,162 buildings in 2001 to 10,198 in 2011.

Table 26: Completed and under-construction buildings in Dubai from 2001 to 2011

<table>
<thead>
<tr>
<th>Year</th>
<th>Completed Buildings</th>
<th>Under Construction Buildings</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>2,445</td>
<td>6,162</td>
</tr>
<tr>
<td>2002</td>
<td>2,259</td>
<td>7,535</td>
</tr>
<tr>
<td>2003</td>
<td>1,883</td>
<td>6,268</td>
</tr>
<tr>
<td>2004</td>
<td>2,119</td>
<td>4,852</td>
</tr>
<tr>
<td>2005</td>
<td>2,252</td>
<td>5,342</td>
</tr>
<tr>
<td>2006</td>
<td>2,222</td>
<td>6,128</td>
</tr>
<tr>
<td>2007</td>
<td>2,369</td>
<td>7,343</td>
</tr>
<tr>
<td>2008</td>
<td>2,828</td>
<td>8,669</td>
</tr>
<tr>
<td>2009</td>
<td>2,501</td>
<td>9,427</td>
</tr>
<tr>
<td>2010</td>
<td>4,275</td>
<td>11,055</td>
</tr>
<tr>
<td>2011</td>
<td>3,133</td>
<td>10,198</td>
</tr>
</tbody>
</table>

(Compiled from Dubai Statistics Center, 2013b)
The massive and rapid expansion of Dubai’s real estate market since the beginning of this millennium is attributed to many factors. First, the government-led development and land-use policy were translated into providing free lands to the GREs; this was in addition to the initial government investment in these companies to start the preliminary stages of deploying capital for hiring the necessary resources for master planning, and the initial phase of operations and management. Second was the off-plan sales strategy and the flexible payment schedule, through which the norm in the market was selling the properties while the project was still only on paper; the real estate developers used to receive around 10 per cent of the selling price on the day the sale agreement was signed. This strategy secured substantial capital, besides the initial capital received from the government to break the ground and start the construction phase of the projects. However, massive projects such as The Palm Islands required even more funds, and an additional source of finance was the debt financing option. The real estate companies used to borrow considerable amounts of money from local and international banks in order to fund their proposed projects. The third factor that contributed to Dubai’s real estate boom was the availability of high liquidity locally and regionally, combined with a parallel growth in the financial institutions. Banks and financial institutions were established to accommodate the growing demand for housing mortgages, mainly to support the rapidly growing real estate sector by providing funds to developers as well as buyers.

All the expansion in infrastructure, urban and commercial developments were intended to meet the government’s objectives in the Dubai Strategic Plan 2015, and the projected annual growth in population of 6.9 per cent and in GDP growth of 13.4 per cent (Dubai eGovernment, 2010). However, this expansion and development required huge amounts of funding, especially given that Dubai is a young city that pursued fast growth over short period of only two decades. Initially, Dubai financed its growth and public spending from oil reserves, but soon it came from the fees collected from businesses operating outside the specialised free zones, from custom duties (except for goods coming through Jebel Ali port), from profits from state-related ventures such as Emaar and Dubai World, and from borrowing from local and international banks and financial institutions (Khamis and Senhadji, 2010). The substantial accumulation of funds borrowed in the form of direct loans from the banks, as well as bonds issuance, raised many questions as to whether the government was being too ambitious and might lose control over the performance of its related investments in allowing the GREs to finance their projects and development plans through excessive debt. Also, the enormous volume of real estate projects under construction, along with the rapid increase in properties prices, raised concern about the sustainability of the properties sector and whether there was any adequate market monitoring mechanism to manage the performance and anticipate future scenarios. These concerns will be explored in depth through the empirical fieldwork.
5.5 The Outbreak of the Global Financial Crisis

The global financial crisis of late 2007 is considered the worst financial crisis since the great economic depression of the 1930s (Reuters, 2009; The World Bank, 2009b; CNN, 2009). Figure 18 shows that the global GDP percentage growth significantly declined to below zero by the end of 2008, as most economies were affected (Darasha, 2010a).

![Figure 18: Global GDP percentage growth per annum from 1999 to 2011](International Monetary Fund, 2012)

The crisis started with the collapse of one of the major American financial institutions, Leman Brothers, and the sale of Merrill Lynch to Bank of America in September 2008 as a result of bad mortgage finance and the collapse of real estate prices (Sorkin, 2008). The impact of the financial crisis evolved globally, proving that no economy is immune since all are globally integrated and connected with each other. Countries experienced a decrease in exports, lower national income, a decline in national spending, and a drop in the overall national GDP. The UAE in general and the Dubai economy in particular were not immune to the effects of the global crisis, despite the initial perception that the countries of the GCC would be protected by their accumulation of significant financial reserves generated from oil revenues, especially from the boom in oil prices from 2003 to 2008 (England, 2010; Khamis and Senhadji, 2010). Figure 19 illustrates the increase in average oil prices from 2001 to 2008. However, this was not the case for Dubai with its limited oil reserves and an economy that was less dependent on oil, which accounted for only 8 per cent of the GDP in 2001 and 2 per cent in 2008 (Dubai Statistics Center, 2001, 2008). Thus, the oil boom did not contribute significantly to the economic development and growth of Dubai with its diversified economy (Hvidt, 2009).
5.6 Effect of the Global Financial Crisis on the Economy of Dubai

5.6.1 Gross Domestic Product and Foreign Trade

The economy of Dubai experienced a decline in light of this global financial downturn, especially with the collapse of the real estate sector, which accounted for 17.6 per cent of the emirate’s GDP in 2008 (Dubai Statistics Center, 2008). After Dubai’s unprecedented double-digit GDP growth since 2003, the figure declined to 3.5 per cent in 2008, followed by negative GDP growth of 2.7 per cent in 2009. According to the Dubai Statistics Center (2012a), the economic growth rate steadily recovered in the following years to reach 3.5 per cent in 2010, 3.3 per cent in 2011 and 4.4 per cent in 2012. The sectors that were worst hit were real estate and construction. The contribution of the real estate sector to GDP declined from 17.6 per cent in 2008 to 12.5 per cent in 2012, and also, of construction from 13.7 per cent to 7.8 per cent over the same period.

Foreign trade witnessed a negative growth rate of 19.3 per cent in 2009, attributable to the significant drop in imports, with a negative growth rate of 26.7 per cent, and a similar decline in re-exports with a negative growth rate of 8.6 per cent. In subsequent years, the growth rate of Dubai’s foreign trade recovered to reach 19.6 per cent in 2010, 20.7 per cent in 2011 and 13.4 per cent in 2012 (Dubai Statistics Center, 2012a).
5.6.2 Financial Status

The fiscal status of the Dubai government was affected by the global financial crisis of late 2007, resulting from a significant drop in asset values and the collapse of the real estate market in the last quarter of 2008, leaving Dubai with heavy debt and financial obligations. The government declared in November 2008 that its total debt obligations stood at US $ 80 billion, which comprised US $ 10 billion as direct government debt and US $ 70 billion as debt obligations of the GREs (Gulf News, 2008a). This total debt was higher than the national GDP in the same year, US $ 79.8 billion. Figure 20 shows that Dubai’s direct government debt as a percentage of its GDP in December 2010 was higher than the average GCC states.

![Figure 20: Dubai’s direct government debt as of December 2010](Morgan Stanley Research, 2010b)

The accumulated debt of the government and the GREs was an alarming sign to the creditors and analysts who questioned the emirate’s capability to fulfil its financial obligations. The creditors’ concerns kept rising, reaching a peak when Dubai World, a government-related conglomerate, announced in November 2009 that it was requesting its creditors to restructure the due payment of more than US $ 20 billion of bonds and extend the bonds’ maturity for six months until 30 May 2010 (Khalaf and Kerr, 2010; England, 2010). The government role and association with these liabilities was not clear, as there was great confusion about the nature of the borrowings and whether the debt was sovereign or not, especially when the government announced that all financial obligations would be fulfilled (Gulf News, 2008a, 2008b). Table 27 demonstrates the breakdown of the total estimated debt of the government and GREs; the greatest debt was associated with the Investment Corporation of Dubai (ICD) and Dubai World, at 32.4 per cent and 26.8 per cent respectively, followed by government direct debt at 22.3 per cent and Dubai Holding at 16.8 per cent. The disclosed debt of the government and its related...
entities in 2010 stood at US $ 93 billion, which was about 125 per cent of the emirate’s GDP in that year (Morgan Stanley Research, 2010b; Dubai Statistics Center, 2010).

Table 27: Dubai’s total estimated debt as of December 2010

<table>
<thead>
<tr>
<th>Entity</th>
<th>Publicly Disclosed Debt (US $ million)</th>
<th>Other Estimated Liabilities (US $ million)</th>
<th>Total Estimated Liabilities (US $ million)</th>
<th>Total Estimated Liabilities (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dubai World</td>
<td>21,113</td>
<td>8,900</td>
<td>30,013</td>
<td>26.8%</td>
</tr>
<tr>
<td>Dubai Holding</td>
<td>14,490</td>
<td>4,347</td>
<td>18,837</td>
<td>16.8%</td>
</tr>
<tr>
<td>Investment Corporation of Dubai</td>
<td>30,231</td>
<td>6,046</td>
<td>36,277</td>
<td>32.4%</td>
</tr>
<tr>
<td>Dubai Government</td>
<td>24,950</td>
<td>0</td>
<td>24,950</td>
<td>22.3%</td>
</tr>
<tr>
<td>Other Entities</td>
<td>1,885</td>
<td>0</td>
<td>1,885</td>
<td>1.7%</td>
</tr>
<tr>
<td>Total</td>
<td>92,669</td>
<td>15,293</td>
<td>111,962</td>
<td>100%</td>
</tr>
</tbody>
</table>

(Morgan Stanley Research, 2010b)

The GREs are a web of conglomerate companies initiated and supported by the government in order to pursue the emirate’s economic development plans. Figure 21 lists these companies and other investments that the government had shares in. The GREs’ portfolio comprised wholly- or partly-owned government businesses and investments in various sectors: financial and banking, industrial, logistics, services, real estate, and others. These entities were set up by the government and initially received direct government support, but were given freedom to operate on a commercial basis. Hence, these entities were run as private companies, but still maintaining accountability to the government of Dubai and the ruler of the emirate in particular. Many concerns were raised with regard to the role of the government in managing and governing the GREs’ business models since, first, these GREs were carrying the name of Dubai and were capitalising on the image and reputation of the emirate, secondly, the institutional structure of Dubai was perceived to be centralised, especially with regard to decision making, so the extent to which the government shared responsibility for such a significant accumulated debt was questioned. These concerns will be investigated during the empirical fieldwork.
In addition to the initial support that these GREs received from the government, they borrowed from local and international financial institutions to fund their projects. Renaud (2010) explains that the very low global interest rates and the availability of liquidity in the domestic and global markets encouraged these entities to pursue a highly leveraged finance strategy to fund their development plans. The total debt of the GREs was composed of bonds and loans from local and international banks and financial institutions. Figure 22 shows that most of this debt, as of April 2010, was in the form of loans rather than bonds, which is more risky from a business perspective. In addition to this risky composition of the total debt of Dubai's GREs, Figure 23 demonstrates that the largest portion of the loans were short-term, due to mature in 2011, 2012 and 2013, which indicates that these GREs had a strong appetite for risk-taking.
The most indebted GRE was Dubai World, and Table 28 shows that 55 per cent of this debt was owed to international banks, 30 per cent to Dubai domestic banks and 15 per cent to Abu Dhabi domestic banks. Although there are no separate figures for Dubai versus Abu Dhabi, Deutsche Bank (2009) indicated that UK banks were the largest foreign banks exposed to the UAE debt, at US $ 50 billion, which was around 2 per cent of the UK’s GDP in 2008. European banks were owed US $ 88 billion. The largest foreign banks exposed to UAE debts were HSBC, at US $ 17 billion, Standard Chartered Bank at US $ 7.8 billion, Barclays at US $ 3.6 billion, Royal Bank of Scotland at US $ 1.9 billion, BNP at US $ 1.7 billion and Lloyds at US $ 1.6 billion (Deutsche Bank, 2009).
Table 28: International vs. domestic banks’ exposure to Dubai World’s debt

<table>
<thead>
<tr>
<th></th>
<th>Exposure to Dubai World’s Debt (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>International Banks</td>
<td>55%</td>
</tr>
<tr>
<td>Dubai-Based Banks</td>
<td>30%</td>
</tr>
<tr>
<td>Abu Dhabi-Based Banks</td>
<td>15%</td>
</tr>
</tbody>
</table>

(Morgan Stanley Research, 2010a)

The creditors and analysts were worried not only about Dubai’s ability to meet its GREs debt obligations, but were also concerned whether these GREs were backed by the government; it appeared in 2009 that there were no explicit state guarantees for debt liabilities accumulated by the GREs (HSBC Global Research, 2009a; Deutsche Bank, 2009; The Economist, 2009a). This created great confusion among the creditors and made them think about differentiating the sovereign debt from the GREs debt. Nevertheless, it was apparent that the government did not want to see any of its GREs default on their payments, since they were not only carrying the name of Dubai, but were also pursuing the economic development plans of the emirate. Therefore, none of the companies was ever allowed to fail. The government took some initiatives to support the GREs in meeting their immediate financial obligations, such as issuing US $ 20 billion government bonds; 50 per cent of these bonds were bought by the UAE Central Bank, in order to provide immediate liquidity to the GREs (Augustine, 2009b). The government also established a Financial Support Fund to work closely with the GREs in order to support the strategic projects and entities involved in the government plans (Gulf News, 2009a). However, despite these initiatives and the fact that Dubai World was able to reach a formal agreement with 99 per cent of its creditors to restructure around $ 25 billion of its outstanding debt obligations (Kumar, 2010), the government and its GREs are still facing the ongoing challenge of managing the accumulated short-term debt and the soon to mature bonds.

5.6.3 The Real Estate Market

At the beginning of this millennium, the appetite for investment in Dubai’s real estate market was substantial. The high demand for properties was fuelled by an unprecedented supply of residential units and office space, which led eventually to significant asset price and rental appreciation, until the crash in asset values in 2008. According to Markaz Real Estate Research (2009), the average residential rents grew by 25 per cent in 2006 and by 18 per cent in 2007, while the average office rents grew by 86 per cent and by 55 per cent during the same period. Meanwhile, the supply of new projects was increasing at 85 per cent, with sale prices growing at an average of 25 per cent per annum during the boom phase. Many factors contributed to the real estate market boom that accelerated from May 2002. First was the announcement of
freehold property ownership in certain areas for all nationalities (Renaud, 2010; Bagaeen, 2007). This announcement resulted in a significant demand, especially from expatriates who were seeking long-term residency in the emirate and who found it more convenient to buy a property rather than paying rent. Second, the accumulated revenues generated from the boom in oil prices between 2002 and 2008 were injected in terms of GCC investments in Dubai’s real estate market. Third, investors from the Middle East who were seeking a safe haven for their capital and investments invested in Dubai, because of the UAE’s reputation as a stable country politically and economically, with efficient government and no taxation (Renaud, 2010). Fourth, the low interest rates set by the UAE Central Bank enabled more growth in mortgage credit, encouraging buying and investing in the property market. The overall result was a massive flow of capital from local, regional and international investors into the Dubai real estate market. Table 29 illustrates the top ten buyers in the property market by nationality between 2002 and 2008.

Table 29: Top ten buyers in Dubai’s real estate market by nationality from 2002 to 2008

<table>
<thead>
<tr>
<th>Country</th>
<th>Percentage of Dubai Real Estate Transaction Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Saudi Arabia</td>
<td>17%</td>
</tr>
<tr>
<td>India</td>
<td>14%</td>
</tr>
<tr>
<td>Kuwait</td>
<td>13%</td>
</tr>
<tr>
<td>UK</td>
<td>12%</td>
</tr>
<tr>
<td>Pakistan</td>
<td>8%</td>
</tr>
<tr>
<td>Iran</td>
<td>7%</td>
</tr>
<tr>
<td>Qatar</td>
<td>6%</td>
</tr>
<tr>
<td>Oman</td>
<td>6%</td>
</tr>
<tr>
<td>Bahrain</td>
<td>6%</td>
</tr>
<tr>
<td>Russia</td>
<td>3%</td>
</tr>
</tbody>
</table>

(Adapted from Renaud, 2010)

The huge demand for residential units and office space was accompanied by huge supply not only from master real estate developers such as Emaar, Nakheel and Dubai Holding, but also from new investors who entered the market to benefit from the boom. Between 2002 and 2008, property values rose rapidly, fuelled by, first, the available liquidity in the market; there was easy access to credit and mortgage as some banks and financial institutions provided up to 90 per cent mortgages. Second was the substantial short-term speculative behaviour of investors who were seeking a quick profit by buying off-plan property while it was still at the planning stage or at a very early stage of construction, and then re-selling it again a few months later at a significant profit margin (Renaud, 2010; Moody’s Global, 2008). During the boom period, real estate developers sold residential units based on this off-plan sale strategy, signing contracts before construction had even started; the buyers paid 10 per cent of the sale price as a first instalment and the remaining amount as per the sales agreement payment schedule. This encouraged the speculators to buy many apartments for the price of one, with the intention of selling them before the next instalment was due (The Economist, 2009b). It was a young,
immature real estate market that required regulation to structure and manage its activities, and the government recognised this need, which led to establishing the Real Estate Regulatory Agency (RERA) in July 2007 (Land Department-Government of Dubai, 2013).

By the end of 2008, Dubai’s real estate market had crashed. The monthly value of UAE real estate transactions dropped from their peak of about US $ 3 billion in May 2008 to around US $ 250 million in November 2009 (Khamis and Senhadji, 2010). This crash was reflected in a significant decline of around 50-52 per cent in real estate prices, while some 450 unfinished buildings were kept on hold while they were still at the construction phase (Cooper, 2010; Fattah, 2010). The prices for apartments and villas dropped from their peak in the third quarter of 2008 by 50.2 per cent and 52.6 per cent respectively, back to their pre-boom prices. Figure 24 shows Dubai’s residential real estate price index between 2007 and 2010, and Figure 25 the average office rental decline from US $ 1,172 per square metre in 2008 to US $ 557 in 2010.

![Figure 24: Dubai residential real estate price index, Q1 2007 is the base period](Credit Suisse, 2011)

![Figure 25: Dubai average office rents, US $ per square meter](Credit Suisse, 2011)
The supply of properties declined significantly in response to the substantial decline in demand and the value of property. Many real estate projects faced financial difficulties, although a few properties entered the market in 2010 with more anticipated in the following year. The supply of residential units increased by 10 per cent in 2010, anticipated to be 8 per cent in 2011, whereas office space supply increased by 43 per cent in 2010, anticipated to be 14 per cent in 2011. Table 30 illustrates residential supply and Table 31 office space supply after the global financial crisis.

<table>
<thead>
<tr>
<th></th>
<th>Completed Residential Stock</th>
<th>Additional Residential Supply</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2009</strong></td>
<td>273,000</td>
<td>0</td>
</tr>
<tr>
<td><strong>2010</strong></td>
<td>287,000</td>
<td>12,000</td>
</tr>
<tr>
<td><strong>2011</strong></td>
<td>299,000</td>
<td>25,000</td>
</tr>
</tbody>
</table>

(Adapted from Credit Suisse, 2011)

<table>
<thead>
<tr>
<th></th>
<th>Completed Office Space Stock</th>
<th>Additional Office Space Supply</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2009</strong></td>
<td>44</td>
<td>0</td>
</tr>
<tr>
<td><strong>2010</strong></td>
<td>48</td>
<td>15</td>
</tr>
<tr>
<td><strong>2011</strong></td>
<td>64</td>
<td>8</td>
</tr>
</tbody>
</table>

(Adapted from Credit Suisse, 2011)

With the collapse of the property market in Dubai, real estate developers had to deal with the dilemma of receivables that had to be collected from the individuals and investors who could no longer afford to pay the instalments on the properties they had bought. As a result, the developers faced financial difficulties in paying their contractors, and the contractors in turn struggled to pay their sub-contractors and suppliers (Roy, 2009). Thus, liquidity became a challenge not only for the real estate sector but also for the whole economy, since funding was either not available or was too expensive (Badih, 2010).
5.6.4 The Banking Sector

There is a strong relationship between the real estate sector and the banking sector in Dubai, since bank mortgages were the main source of real estate finance (Gulf News, 2008c). The boom in the real estate market between 2002 and 2008 was supported by a liquidity boom during the same period, in which UAE banks experienced an average credit expansion of over 30 per cent over the period from 2005 to 2008 (Augustine, 2010b; Credit Suisse, 2011). When the value of Dubai’s real estate crashed at the end of 2008, the pressure on the banking sector increased with the increase in bad debts (Gulf News, 2008c). During the real estate boom, the UAE banks had underestimated the default risk of real estate loans, increasing their credit risk exposure (Credit Suisse, 2011; Gulf News, 2008c). Figure 26 demonstrates that the UAE banks were especially exposed to the real estate sector in 2008, which witnessed a growth in mortgage loans by 122.8 per cent, followed by the sharp decline in growth to 12.6 per cent in 2009 and 15.2 per cent in 2010. Figure 27 shows that mortgage loans as a percentage of total bank loans increased from 4.9 per cent in 2005 to 16.7 per cent in July 2010. It was estimated that UAE banks were exposed to mortgage loans of around US $ 32 billion in 2010 (Credit Suisse, 2011).

![Figure 26: The growth in UAE mortgage loans](Credit Suisse, 2011)

![Figure 27: The growth in mortgage loans as a percentage of total bank loans](Credit Suisse, 2011)
The collapse of the real estate market resulted in a significant slowdown in the mortgage sector and bad debts, and the cost of mortgage funding became excessively high. This made the UAE Central Bank consider regulating the mortgage sector and the credit business to ensure that liquidity was maintained at an adequate level (Augustine, 2010b). The UAE banking system had experienced and survived several crises in the previous three decades, and the UAE Central Bank, with the local authorities, always ensured that no bank went bankrupt or defaulted; for example, during the 1990-1991 Gulf War, the banks in the GCC witnessed significant liquidity pressures and the UAE Central Bank provided the needed cash flows to prevent any bank from defaulting (Moody’s Global, 2008). This was also the case in the recent global financial crisis, when the UAE Central Bank established a US $ 13.6 billion liquidity facility for UAE banks in September 2008; another US $ 19 billion was available when needed by the banking system (Kumar, 2009a; Fitch Ratings, 2008). Moreover, the UAE government guaranteed all deposits in all national banks as well as foreign banks with major domestic operations (Fitch Ratings, 2008). This was in addition to the US $ 4.4 billion that the government of Abu Dhabi injected into five banks in the capital (Augustine, 2009a). Due to the efforts of the UAE government and the Central Bank to maintain liquidity and assure that all deposits are guaranteed, the banking system in the UAE remained stable. The UAE banks’ deposit base increased as a result of both government and private sector deposits, and the deposits increased from around US $ 229 billion at the end of June 2008 to reach US $ 259 billion at the end of the first quarter of 2009. This meant that the banks’ capital and reserves had increased from US $ 43.3 billion to US $ 51.2 billion at the end of March 2009 (Kumar, 2009a).

5.6.5 Reputation and Economic Confidence

The Dubai World announcement in the last quarter of 2009 that aimed to restructure the maturing debt obligations and delay due payments confused creditors and analysts. Many demanded more clarity about the Dubai World’s restructuring announcement and about the total debt of the Dubai government and its related-entities. The press release issued by Dubai World in November 2009 was regarded as unclear and lacking necessary explanation with regards to the meaning of the standstill announcement, the terms of the agreement, who would be affected and the overall implications (HSBC Global Research, 2009b). This communication, perceived as ambiguous by the respective analysts, created uncertainties, market volatility and speculation, especially in the international media, which resulted in giving a bad impression of Dubai and its ability to manage its financial obligations. Dudley (2010) explains that in Western countries and emerging economies, companies have to disclose information and report their financial statements to government authorities, with mandatory reporting for tax purposes. However, this is not the case in the GCC countries because there is no corporate tax, hence private companies have the option of not disclosing their financial statements as long as they are not publically listed. Nevertheless, the GREs had to become more transparent because of their need to access finance, whether from local or international financial institutions.
The perceived limited transparency that accompanied the economic situation and the financial difficulties made credit rating agencies such as Moody’s, Fitch, Standard and Poor’s lower the credit worthiness ratings of the GREs. Standard and Poor’s lowered its ratings in 2009 on six GREs by one notch from A+ to A (Kumar, 2009b). In 2009, Moody’s also downgraded JAFZA, which accounted for around a quarter of Dubai’s GDP, by one notch from A3 to A2 (Kerr, 2009). Other GREs were downgraded by one notch by Moody’s and Standard and Poor’s, including Dubai International Financial Centre, DP World, Dubai Holding Commercial Operations Group, Emaar and Dubai Electricity and Water Authority (HSBC Global Research, 2009a). This downgrading was likely to trigger more negative actions, and most importantly to shake the investors’ confidence in the GREs and the Dubai economy as a whole. The economic reputation of Dubai and its ability to maintain the creditors and investors’ confidence depend not only on the government’s ability to manage its debts and financial obligations, but also on its willingness to have more transparent communication with the business community in order to prevent random speculations that may have implications on the economic future of the emirate.

5.7 Federal and Dubai Local Government Responses to the Crisis

The federal and Dubai local government have taken many initiatives to manage and minimise the impact of the global financial downturn, especially with regards to the accumulated debt obligations of Dubai’s GREs. At the federal level, the UAE government and the Central Bank took initiatives in the last quarter of 2008 to ensure that the banking system remained strong, maintained sufficient liquidity and that the business and general community continued to have faith in the UAE banking system. In October 2008 the federal government guaranteed all the deposits for three years in both local and foreign banks with major domestic operations; it injected US $ 19 billion of emergency fund into the banking sector to maintain liquidity, and reduced key interest rates by 50 basis points to ensure low cost of liquidity for all the banks (Noueiheid, 2008; Emirates 247, 2008; Merzaban and Benham, 2009). These initiatives demonstrated that the federal government was quick with its response to the financial crisis.

At Dubai’s local government level, fiscal and administrative initiatives were taken to stabilise the economy and stimulate recovery. Since an understanding of Dubai’s total financial obligations and economic challenges was a key concern, Dubai formed first of all an Advisory Council in the last quarter of 2008 (Gulf News, 2008b) in order to address and analyse the economic challenges facing the city-state. This Advisory Council consists of the chairmen of the GREs, the chairman of the Dubai financial market, the governor of DIFC, the director-general of the Dubai Department of Finance and the chief executive of the Real Estate Regulatory Authority (Arabian Business, 2009; AMEInfo, 2008). A Supreme Committee was established to gather all the information regarding the complex web of GREs and oversee all the possible solutions with the creditors (Barber et al., 2010). The most pressing issue was meeting the maturing debts of the GREs, and one of the first initiatives to meet immediate financial obligations was the
government’s launch of US $ 20 billion of bonds in February 2009, 50 per cent of which were subscribed by the Central Bank of the UAE (Augustine, 2009b). The Dubai government also ensured that no GRE went bankrupt or defaulted, by either restructuring the debt agreements and/or restructuring the operations of these companies; for example, the merger between Nakheel and Limitless, the two real estate companies owned by Dubai World (Smeerdijk, 2010). Also, a restructuring of Dubai Holding resulted in the consolidation of Dubai Holding’s three real estate companies: Dubai Properties, Sama Dubai and Tatweer (Giuffrida, 2009). In addition to these mergers and consolidations that were essential to reduce operational costs, some companies sold certain assets; for instance, DP World sold 75 per cent of its Australian operations for US $ 1.5 billion to reduce the burden of the mother holding company, Dubai World (Wright, 2010).

5.8 Conclusion

This chapter explained the macro-economic context of Dubai before and in light of the impact of the global financial crisis of late 2007. It demonstrated that the economy of Dubai was diversified and non-oil dependent, as the government could increase its GDP significantly from US $ 18 billion in 2001 to US $ 86.7 billion in 2012, while reducing the oil revenue participation from 8 per cent in 2001 to 1.5 per cent in 2012. It was explained that Dubai is increasingly a service-based economy, with trade, logistics and manufacturing the dominant sectors that played a significant role in diversifying the economy in 2001. These sectors continued to play a major role, although the contribution of the real estate sector to GDP increased from 9 per cent in 2001 to 17.6 per cent in 2008. The real estate boom was accompanied by rapid property price appreciation from the beginning of this millennium until its collapse in 2008.

The chapter also discussed the extent of the impact of the global financial crisis on the economy of Dubai, demonstrating that the financial status of the emirate experienced a critical period of accumulated debt, estimated at between US $ 80 billion and US $ 112 billion. This was accompanied by the collapse of the real estate market and a crash in property prices by about 50-52 per cent by the end of 2008. The global financial crisis presented many challenges and exposed managerial practices that will be investigated in the empirical chapters as part of the assessment of the Dubai model of economic development.

After discussion of the available data and information on the socio-cultural and political context of Dubai in the previous chapter, and the macro-economic context of the emirate in this chapter, the next three chapters will focus on analysing the empirical fieldwork findings.
CHAPTER 6  
EMPIRICAL AND ANALYTICAL RESEARCH FINDINGS ON  
THE INFLUENCE OF THE POLITICAL AND SOCIO-CULTURAL CONTEXT ON THE DUBAI MODEL

6.1 Introduction

As mentioned in chapter 2, understanding the economic landscape and performance of states and cities requires studying not only economic activities but also the states’ environment: the political, institutional and socio-cultural context (Clark et al., 2000; Krugman, 2000; Glaeser, 2000; Lundvall and Maskell, 2000; Scott, 2000; Slater, 2002; Pryke and Du Gay, 2007). This chapter aims to present and analyse the empirical research outcomes from the qualitative elite interviews in response to the third research question that addresses the political and socio-cultural contexts of the state and their influence on the Dubai economic development. The findings are based on triangulating the interviewees’ views in response to the interview guide presented in Appendix E. The research participants are known academics with political and cultural science specialities and familiarity with the political and cultural structure of the UAE; note that 30 per cent of the interviewees have senior government roles as members in the Federal National Council (FNC) and Dubai Economic Council.

This chapter is divided into three sections. Section 6.2 explores the role and influence of the political context on the Dubai model. This section analyses the federal-local governance framework, the nature of governance in Dubai, and how laws, public policies and decisions are made. Section 6.3 addresses the cultural features of the state, the distinctive cultural characteristics of Dubai and their influence on the model of Dubai. Section 6.4 offers closing remarks and summarises the outcomes. Note that a code has been assigned to each quotation; the full code list is given in Appendix H.

6.2 The Political Context

6.2.1 Federal-Local Governance Framework

All the interviewees stressed that the Arab countries vary among themselves with regard to the nature of the political system. The research participants also mentioned that the political system of the UAE is a unique experience in the region because it is the only federal country in the region. One interviewee explained,

“We cannot generalise that all the Arab counties share the same features. Their political systems are different. Our political system is based on federal and local
government laws, and policies set by each emirate. On the whole, the ruler is the decision maker and he consults the official institutions." (AC4)

As explained in chapter 4, Dubai is one of the seven emirates that operate within the political framework of the federal government of the UAE. The political structure of the country is composed of two levels, the federal government and the local government of each emirate. The key feature that characterises the UAE federal system and the constitution of the country, as described by all the research participants, is that the constitution guarantees to each emirate the right to retain ownership of its natural resources, as well as manage its internal domestic affairs.

This autonomy was described by the majority of the interviewees as a necessity that has been granted to the emirates based on their historical existence before the formation of the federal state in 1971. Moreover, almost all the research participants agreed that this flexibility in the constitution enabled not only the establishment of the union but also ensured its continuity. One interviewee mentioned that “before the union, each emirate existed as an independent entity” (AC1). The extent of the flexibility that the UAE constitution provides to all the emirates is demonstrated in Appendix I. This autonomy, a distinctive feature in the political system of the UAE, enables the policy makers at the emirate level to run their local fiscal, economic and administrative affairs within the framework that each emirate envisions, as long as the local decisions do not contradict the overall federal laws. This has resulted in creating variety of governmental models in the UAE; as explained by one of the participants,

“The federal system has a very big role in what distinguishes the UAE from other Arab countries. It significantly contributed in creating diversity in the UAE. The Dubai model differs from the Sharjah model, although they are neighbouring cities separated only by a street. Also, the Sharjah model is different from the model of Abu Dhabi.” (AC5)

Therefore, it appears that the domestic political and economic freedom enjoyed by Dubai and the other emirates before the union has continued to the present day. It was noted by almost all the interviewees that Dubai before the union had a different economic model from those of the rest of the emirates, due to its rulers’ policy over time of focusing on establishing Dubai commercially and economically. This is consistent with Al-Sayegh (1998), who notes the historical emergence of Dubai as a commercial city and a merchant community. When the union was formed, the Dubai model that was drawn up by the late Sheikh Rashid and his father, as explained in chapter 4 (Sampler and Eigner, 2008) continued. Thus, the federal framework of the state and the federal policies did not hinder the local government of Dubai from pursuing its economic plans. One of the interviewees stated,
“Joining the union did not change the economic model that the government of Dubai was following, and therefore the new federal structure did not limit the Dubai model of economic development.” (AC8)

This flexibility in the constitution, repeatedly commented on by all the research participants, was explained by one interviewee,

“You cannot abolish all the authority of the rulers. So, it was wise to leave some space for local governments so each ruler feels that he has not lost his authority. Before the union, each emirate had an independent authority, hence the constitution was responsive to an existing situation. The union could not have been formed if the constitution prevented local rulers from exercising their authority.” (AC3)

All the interviewees mentioned that the constitution of the state enabled the government of Dubai to implement the development plans as per the vision of its political leadership, because the constitution guarantees that each emirate enjoys the right of autonomy in owning its natural resources as well as in managing its internal political, economic and administrative affairs. This autonomy has provided Dubai with the freedom to embark on its economic initiatives and make fast decisions in the pursuit of its rapid development plans, while enjoying the privilege of being a member of the federal state.

When asked about the political features that differentiate the emirate of Dubai from the other emirates, all the research participants agreed that the political regime and structure of Dubai are similar to those of the other emirates in terms of being traditional, inherited political regimes based on Sheikhdoms. This is in line with the comment by Lucas (2004) and Common (2008) that the political regimes in the GCC countries are monarchies in which political leadership and power are inherited through the ruling family. One of the participants said,

“The ruler is the supreme authority and the government bodies and institutions assist in implementing the policy of the emirate’s ruler.” (AC8)

Based on the interview findings, the political setup in Dubai, which is similar to that in all the emirates, starts with the ruler's office ‘Dewan’ and the Executive Council oversees the performance of the local government departments and authorities. Figure 28 shows the two levels of government: federal level and Dubai local level. One interviewee explained,

“There is a local government for each emirate; the office of the governor is called the Dewan, and the Executive Council supervises the local government departments and authorities.” (AC9)
However, almost all the interviewees recognised that Dubai is the only emirate that is known historically and up to the present time as a trade and business community. This supports Al Sayegh (1998), who states that Dubai emerged as a merchant community, and hence the emirate developed a strong relationship between the ruler and the traders, who historically had a say in the decision making as part of the ruler's advisory council; today they are part of the Dubai Economic Council. An interviewee remarked,

“Despite the emergence of the federal state, the traders still have a role in Dubai. Looking at the Dubai Economic Council today, the traders who have merchant roots are the members.” (AC1)

The distinctive feature of Dubai's political system, as affirmed by all the participants, is the nature of the political leadership; it tends to be commercial-minded and corporate driven in its approach to governmental practices (Schmid, 2009). One of the interviewees explained,

“Dubai's political leadership and the vision of its ruler Sheikh Mohammed made all the difference. The Executive Council and Dewan are working within specific objectives” (AC9)

6.2.2 Laws, Public Policies and the Decision-Making Process

All the interviewees affirmed that governance is practised by the formal institutions of the state in terms of the federal government ministries and departments as well as the local government
entities of each emirate, confirming Quilliam’s (2003) interpretation. The nature of the federal-local relationship in terms of determining the legislative and executive specialities is defined by articles 120-125 in the constitution (UAE Federal National Council, 2010). One interviewee explained that the Supreme Council of the UAE is made up of the emirates’ rulers, who head the local governments, and this ensures that “the decisions of the local governments are consistent and do not conflict with the federal public policies” (AC9). Similarly, another interviewee added that the FNC is an entity that combines members of all the emirates and hence “the suggested laws and initiatives that are discussed in the Council take into consideration the influence of the initiatives on the emirates” (AC6).

All the research participants agreed that according to the political system of the UAE, policies are made at two levels: the federal level, where the federal laws and public policies are made by the Federal Supreme Council of the union; and the local government level at which the emirates set their domestic policies. One interviewee said,

“The constitution is clear. There are laws derived from the constitution that set the public policies. The policies are set in agreement with all the emirates at a federal level. But each emirate has its domestic policies that can be set by its local government.” (AC4)

Another interviewee elaborated,

“There are federal policies that govern all the emirates and there are specific policies at the level of each emirate in a way that does not conflict with the interests of the federal state. Many economic decisions are taken at the emirates’ local level. It is noticeable that the merchant class in Dubai plays a key role when the government of Dubai makes economic policies and decisions, as the government always takes their views and interests into account when making economic decisions through the Dubai Economic Council; the Council studies every economic proposal and makes appropriate recommendations to the government.” (AC7)

The federal public policy framework is set by the federal government and executed by its ministries with regards to foreign policy, security and defence, federal education, healthcare, monetary policies of the UAE and other policies related to the higher interests of the federal state. However, the autonomy given by the constitution to all the emirates to exercise their policies and decisions in managing their internal affairs and economies should not be forgotten. Hence, domestic decisions are made independently in each emirate; one of the participants commented that “even political autonomy in terms of appointing the ruler and the crown prince is left to each emirate to decide as an internal issue” (AC1).
The interview findings reveal that the process of proposing and executing a law differs from that for policy and decision making. One of the interviewees explained that “it is important to distinguish between laws, policies and decisions” (AC2). The process of making federal laws is governed by the constitution; a particular ministry raises the need to introduce a particular law, this is called a ‘law project’ and is presented to the Council of Ministers. The proposed law then goes to the FNC for further study and recommendations. This is not a linear process but is iterative, passing back and forth between the Council of Ministers and the FNC until the law project is finalised. After that it has to be presented to the Supreme Council and the President of the Union; once approved by the Supreme Council, it is issued as a formal federal law.

With regard to the policy-making process, it was noted from the interviews that the federal structure and the flexibility of the constitution mean that economic practices are governed less by a set of federal policies and more by the emirates’ domestic policies. Public and social services, however, are more under the control of federal policies; one interviewee explained,

“There are federal policies on social matters, education, healthcare, social care. There are so many laws, regulations and ministerial decrees that govern UAE social services. But there are very few federal economic policies except for banking, companies law and a few other economic laws. This is because the economic policies in the UAE are decentralised; each emirate has its own economic administrative system.” (AC2)

The federal policies are set and approved by the Federal Supreme Council. Each emirate has one vote in the Council’s discussions, and can only be passed by a majority of five votes of its members, including the votes of Abu Dhabi and Dubai. One of the participants explained why Abu Dhabi and Dubai have this right of veto over decisions:

“This right is given to Abu Dhabi and Dubai due to their size, their political and economic weight and their prominent role in forming the federal state. Even in the FNC, Abu Dhabi and Dubai have eight seats each, while Sharjah and Ras Al Khaimah have six each, and the rest of the emirates four seats each.” (AC5)

Almost all the interviewees agreed that policy and decision making is a process involving three political entities: the Supreme Council, the Council of Ministers and the Federal National Council. Moreover, almost all remarked that the decisions are ultimately taken by the rulers of the emirates. However, they argued that having all the decisions in the hand of the ruler of Dubai ensured fast decision making; this was perceived as an advantage that helped Dubai in establishing the economic initiatives, such as its specialised free zones and freehold property ownership, which were later adopted by the rest of the emirates. These responses are
consistent with those of Sampler and Eigner (2008), Hvidt (2009) and Schmid (2009). Furthermore, Hvidt (2009) remarked that this centralised decision making allows a greater level of coordination and alignment between government departments and the GREs, which facilitated the rapid implementation of development strategies. Nevertheless, the fast decision making and the fast pace of developments in Dubai did create a governance issue over the GREs, as mentioned by the majority of the interviewees, including the government officials, bankers and senior managers. This will be explained thoroughly in chapter 8. With regard to the economic decisions in Dubai, almost all the research participants agreed that since 2000 the emirate had started to move toward the establishment of institutions to systematically study and support decision making. One of the participants stated,

“Despite the fact that there were well-established institutions, e.g. the Land Department and Dubai Chamber of Commerce and Industry, that played a key role in the economic development of the emirate, yet the Dubai Department for Economic Development and Dubai Economic Council were established later to support the economic decisions and further boost the economic development of the emirate.” (AC7)

The interview findings reveal that the decision-making process at both federal and local levels depends on the nature of the decisions. One interviewee explained that a particular ministry may bring to the attention of the Council of Ministers the need to introduce a specific law or present an initiative to address a specific social need; sometimes the decision comes from the Council of Ministers, where the Prime Minister asks a particular ministry to find a solution to a growing social problem based on, for example, an issue addressed in the media or social network channels. It should be remembered that Sheikh Mohammed, the Prime Minister who is also the Vice President, has an active account on Twitter where people share their views with him. Also, the need to make a decision can come as a result of international relations with the global community, such as the need for a law to boost competitiveness. Accordingly, as commented by one interviewee “the decision-making process works in a circular motion” (AC9). It also appears that there is no documentation on how decisions are made, one interviewee saying that “sometimes you do not need the constitution or a law to make a decision, and sometimes decisions are made with very few people involved” (AC2).

This concludes the section based on those interview findings that emphasise the flexibility of the state constitution in granting all the emirates autonomy to manage their domestic affairs. The government of Dubai was able to set policies and take decisions to establish commercial and economic initiatives that would not have been possible if the federal government had a tight grip on the emirates’ financial, economic and administrative autonomy, or their freedom to make independent domestic policy and decisions. For example, the government of Dubai was able to enter into commercial contracts with international companies to encourage and attract FDI to its
economy. It was also able to establish specific specialised free zones, including DIFC, which required the adoption of a hybrid legal system based on the UK banking legislation, which is different from that governing banks outside the DIFC.

6.2.3 The Nature of Governance in Dubai

The majority of the research participants pointed out that Dubai’s management style over government departments and authorities is similar to that of the private sector; Dubai is often referred to as ‘Dubai Incorporated’ with its ruler, Sheikh Mohammed, being its Chief Executive Officer. This finding is in line with Schmid (2009), who argues that the nature of the governance in Dubai tends to be corporate-driven in its approach to government practice. This is also consistent with Pacione (2005), who describes Dubai’s management as a mixture of state-driven developments and private sector economic liberalism, through which Dubai development policies and strategies are largely set by the ruler within an environment that encourages market capitalism. Schmid (2009) states that the city-state is run as a business rather than a traditional Arabian monarchy. One of the interviewees explained that “the political regime in Dubai is the same as the rest of the Emirates, but what distinguishes Dubai is its dominant commercial nature and the way that the city is run, it is run as a company” (AC7). In this regard, it could be observed that in Dubai there is often no clear distinction between public and private administration due to the nature of its monarchical governance.

However, Dubai appears to be active in its use of governance to stimulate the economy. One of the interviewees affirmed that “the government of Dubai is entrepreneurial with its approach and promptly proactive in introducing development initiatives” (AC5). This could be noted with the establishment of the specialised free zones to promote various industries; ICT, Finance, education and healthcare. Also, The Executive Council (TEC) that was founded to monitor the performance of the government departments and ensure that the performance is in accordance with the city-state’s plans. Moreover, the initiation of the Dubai Government Excellence Program and Awards to incentivise the public sector to raise the level of performance, productivity, excellence, creativity and quality by encouraging positive competition in the public sector (Dubai Government Excellence Program, 2013). In order to ensure that business activities will not be carried to public agencies, the political leadership founded The Executive Office (TEO) to initiate mega-projects that operate on commercial basis. The reason why the government of Dubai was striving to innovate is due to the dominance of a financialized management over Dubai’s government practices in their planning and management of the economy, which will be discussed in chapter 8.

When asked about the nature of Dubai’s Dewan, the Executive Council, the Economic Council and other councils, all the research participants stated that these bodies are formal institutions that have specific mandates and a role in drawing up and supervising the public policies of the
emirate. Based on the interview findings, the local government of Dubai has legislative, executive and supervisory authority through established formal entities. The Dewan has legislative authority, whereas the Executive Council is the executive authority that also monitors the performance of government departments. The specialised councils play a consultative role for the government, especially when it comes to supporting government policies and decisions.

The interview findings revealed that Dubai has gone through various administrative phases. First, the Dewan is a formal body as it is the ruler’s office, and each emirate has one; as explained by one of the interviewees, “the Dewan is the central nerve of the government where all financial and legislative decisions come from” (AC2). Thus, it has legislative authority and the right to issue the emirate’s decrees. The Dewan in Dubai has four formal constituents: first, the Department of Finance is in charge of local government budgeting, allocating the budgets and setting the financial policies; second, the Auditing Department monitors and audits the execution of the budget; third, the Legal Department drafts the emirate’s policies from the legal perspective, as well as ensuring that the local laws are in line with the federal laws; and fourth is the local government human resources department, that oversees the appointment of senior government officials and the programmes that are designed to develop leadership roles for Emiratis, providing them with two years’ government-sponsored education at international institutions, e.g. Harvard University and INSEAD.

Secondly, the Executive Council was established in 2003 as a formal institution and an executive arm of the government of Dubai, with a mandate of studying and setting public policies and strategic plans, monitoring their implementation and overseeing the performance of the government departments. This council is headed by the Crown Prince of the emirate and its members are the heads of Dubai local government departments and authorities. Figure 29 shows that the Executive Council consists of five key committees, for economic development, social development, security and justice, infrastructure and environment, and government excellence. Each committee is responsible for defining its objectives, preparing strategies and monitoring on-going performance within its defined domain.

![Figure 29: Dubai’s Executive Council’s five committees](image)
Thirdly, the Economic Council was formed to study economic issues and make recommendations for informed economic policy and decision making. The Economic Council consists of businessmen, government officials and concerned academics to discuss the economic issues and challenges faced by traders. The government also established other councils with specific mandates, such as the Dubai Sports Council; the Dubai Education Council; and the Dubai Cultural Council, which became the Dubai Authority of Culture and Arts with the same mandate, drawing up and setting out cultural policies. These councils were formed to “develop policies in specific sectors” (AC4). Almost all the interviewees stated that the ruler has discussions with concerned specialists at each specific council. One interviewee mentioned,

“The ruler and the decision maker formulate a specific policy after discussing the issues through the councils. These formal councils replaced the previously available traditional Majlis.” (AC9)

All the interviewees agreed with Sampler and Eigner’s (2008) description of the Majlis as a traditional forum for communication and discussion of issues that might or might not be related to the emirate’s issues. Almost all the interviewees said that the role of Majlis today is marginal with regard to policies and decision making, due to the establishment of formal institutions where the policies and decisions are studied, made and documented. One interviewee commented “Today, Majlis has a very limited existence. It had a role but that was in the old days” (AC2). One interviewee stated,

“We are a tribal society; however, we evolved into institutions and formal channels, and even if an idea is proposed through informal channels, the ruler still tends to refer it to the formal councils, such as the Executive Council and the Economic Council, to study and make recommendations.” (AC8)

The nature of the Majlis was described by one participant, who had personal experience,

“I attended the ruler’s Majlis more than once; the ruler asks a question and listens to different opinions, he does not intervene, he hears the people’s opinions. This is exactly what we today call brainstorming; he wants to check the pulse of the people, without imposing anything on them.” (AC1)

Hence, the presence of Majlis was viewed by the majority of the participants as a demonstration of retaining tradition with contemporary practice, using an inherited channel that is still culturally accepted by the people while developing official councils for policies and decisions making. The majority of the interviewees believed that the existence of Majlis does not directly influence decision making, but there might be an indirect effect resulting from the discussions that take
place at the informal gathering. Hence, the ruler can form a comprehensive picture through both the formal councils and the informal Majlis. Historically, the Majlis played a major role by which the ruler could learn the needs of the people, who came to him with their different needs and problems. Nowadays, Majlis still exist in the UAE to serve this need, as described by one of the interviewees,

“There is every Monday or Tuesday a Majlis for Sheikh Mohammed Bin Zayed, the Crown Prince of Abu Dhabi, where everyone can go and raise his concerns and problems, and the Sheikh listens to all the people. Also, there is a cultural Majlis where certain people concerned with cultural activities are invited to attend. This is similar to seminars where they exchange different cultural views.” (AC9)

It can be concluded from the interview findings that the traditional, informal Majlis coexist with the formal channels. The majority of the interviewees remarked that the advantage of Majlis is that they do not conform to any strict hierarchy, but create an open channel if the official channels are disrupted; they act quickly because of the direct connection with the ruler, and they also create intimate human interaction between the ruler and the people. However, the disadvantage is that through people’s presence at the Majlis and informal networking with the decision maker, they might bias the decision making. One of the interviewees commented,

“In general, it may lead to misguided decisions if the surrounding people are thinking of their own personal interests rather than the national interest.” (AC7)

Additionally, two research participants explained that the decision making is also influenced by larger variables where big companies, the international economy and the international laws play a role. One of them argued that unofficial networks and channels exist in all societies and play a role in influencing the decision making; he elaborated,

“The influence of an unofficial network does exist in every society. You think that the parliament in the West makes policies independently, but look at the media’s role and their influence, look at the influence of businessmen. The Jewish lobby has no official presence on the map of the USA, but it has a significant influence in directing policy. In the West, there are parties who influence policies but have no formal presence on the official map.” (AC7)

The majority of the interviewees mentioned that historically the culture of the UAE, including Dubai, was a society based on oral communication (Tayeb, 2005). However, they added that with the emergence of the modern state and the establishment of formal institutions, all policies, decisions and formal discussions are documented. With regard to the Majlis as an informal channel, the participants stated that there is no documentation as it is a humble informal
gathering between the ruler and the citizens that does not aim to form any policy or decision. One interviewee explained,

“Historically, the culture of the country did not mandate documentation. Most of the transactions were not written down because among the cultural values was the ‘word of honour’ that was very respected. Today, everything is documented. Previously, the situation was different because it was part of the country’s culture that there was trust, and rarely did anyone break his promise.” (AC1)

The UAE is enjoying a period of political and social stability (Quilliam, 2003) that is explained by the relationship of trust and confidence between the citizens and the rulers. Almost all the participants agreed on this, and one said,

“The intimate relationship between the rulers and the people is the essential foundation for political stability. As per our tribal political culture, the ruler is a legitimate ruler, hence we look at our rulers and see them better for us than any other political system.” (AC7)

The reasons for this intimate relationship were explained by the interviewees. First, the Emiratis are not bound to the rulers only by political relationships. One interviewee described this,

“It is not an ‘I elect and you represent me’ kind of a relation; no, the bonds are more than that. The ruler is close to the people and he is present in their times of sadness; historically the Majlises have played a role in strengthening this relationship. Maybe a person from abroad won’t understand it, but for us it is a historical, natural and very special strong relationship. It is not the relationship of the ruler above and the nation below.” (AC9)

Secondly, the trust and confidence in the political leadership stems from the fairness of the rulers throughout history in terms of fulfilling the demands of the citizens and providing social and economic welfare and prosperity, security, justice, education and job opportunities. One interviewee stressed,

“No-one questions the nature of the political system in this country; the citizens usually question the public policies to improve the overall performance of government departments.” (AC6)

The majority of the interviewees stated that the federal framework benefited the Dubai model with regard to its responsibility of providing a stable political and social environment, ensuring
domestic stability at the emirate level. This enabled the government of Dubai to focus on building and evolving its economic model. One interviewee said,

“No economy can develop and grow if there is no security, because this development will be threatened. The responsibility for maintaining security is the duty of the federal government.” (AC9)

6.3 The Socio-Cultural Context

Culture, as many of the interviewees suggested, is “a wide term; it has many definitions, it means the values, arts, literature and music” (AC1). With reference to the definitions of culture mentioned in chapter 4, by Hofstede (1980), Jreisat (2002), Tayeb (2005), Tylor (1891, cited by Baali, 1988), and Hickson and Pugh (1995), all the interviewees attributed the culture of the UAE to the Islamic religion, the Arabic culture, the inherited traditional Bedouin life, the location as a coastal state, the historical presence of merchants, and the huge number of foreign nationals, especially living in Dubai. This is in line with Tayeb (2005), who reported that major Arab cultural characteristics are influenced by the Islamic religion and the inherited Bedouin values. One research participant explained,

“UAE is an Islamic country and it is also tribal Bedouin historically. The features of Islam and the Bedouin way of life, from hospitality, generosity and tolerance to respect and acceptance of other cultures and religions, are normal values engraved and embedded in the Emiratis, and they practise it naturally.” (AC8)

All the interviewees agreed, and added the qualities of humility, non-aggression, a peace-loving nature, the ability to deal culturally with all nationalities with no sense of discrimination or racism, simplicity and transparency when dealing with people, and the value of family and social relationships. These responses are consistent with those of Suliman (2006), who observed that the principles of honesty, respect, kindness and taking care of others characterise the Emiratis.

Denny (2003) notes that the culture of any given nation is influenced by its historical and geographical location. This argument was supported by many participants who stressed that the location of the UAE as a coastal state has played a positive role throughout history in increasing the interaction with other nations through merchants and sailors from India, Iran and East Africa. One interviewee emphasised that “coastal cities are more subject to interaction with other cultures than are cities located away from the coast” (AC10). This view was repeated by another interviewee, who explained,

“Coastal communities are more receptive communities, and since there is no distance between the coastal community and the desert community and the
mountain community in the UAE, the overall community became receptive to the others. In other countries where the distance between the desert and the sea is greater, you find their people are more rigid and less receptive to strangers.” (AC3)

It appears from the interviews that the values of the Emiratis have emerged from the environment. One interviewee affirmed that “a lot of our values we took from the desert, such as patience, hospitality and generosity” (AC1). Some interviewees added that Emiratis are ambitious people, more open to other cultures, and that education plays a role. One interviewee remarked,

“The number of Emiratis holding Master and PhD degrees is continuously increasing. Emiratis travel and study abroad, and today the UAE and Emiratis have a good reputation; they are known as respectful people who respect others, and this shows how civilised Emiratis are.” (AC9)

Dubai culture is part of the culture of the UAE as an Arab Islamic society sharing the same inherited values. Nevertheless, the majority of the research participants acknowledged that Dubai is more culturally open, liberal, tolerant and culturally diversified than the rest of the emirates, and this diversity is due to the historical presence of multi-nationals because of the commercial nature and history of Dubai (Al-Sayegh, 1998). Elsheshtawy (2004), Hvidt (2009), Sulaiman and Hayat (2011) also noted that Dubai developed a cosmopolitan culture due to the many nationalities living and working in the emirate. Hence, the presence of foreign traders in Dubai resulted not only in commercial exchange between the Emiratis and the expatriates, but also in a cultural exchange that influenced Dubai’s people and culture, making the Emiratis of Dubai more liberal, receptive and adaptive to foreigners, accepting others’ cultures, and “enjoy[ing] more refined personality in the field of management and business” (AC6). One interviewee said,

“Dubai historically was a merchant community, the merchant community has certain characteristics that are different from those of, for example, the agricultural community, desert community and mountain community. The mountain community is located in Ras Al Khaimah, while the farming community existed in the oases and Al Ain city. For more than 100 years Dubai has been known as a multi-cultural community, due to the Indian, Iranian and African merchants who settled here.” (AC1)

The culture of a given place affects the way people make decisions and conduct business (Tayeb, 2005). It was noted that the managerial culture in Dubai is influenced by the national culture of the state and the historical commercial nature of the city-state as affirmed by all the interviewees. Based on the interview findings, this resulted in adherence to the inherited
culturally accepted political leadership based on Sheikhdoms, which leaded to having a government that is governed by an individual leader who makes decisions through consultation. Although the political leadership is exercised through a single ruler, “it is traditional for the ruler to consult with others” (AC5). Schmid (2009) explains that the ruler’s leadership style is more akin to that of business corporations. In this context, it was asserted by almost all the interviewees that the culture and character of the government of Dubai is an extension of the character of its political leadership as a greater factor that shaped the managerial culture in the government departments and authorities. It was found from the interviews that the managerial culture in the government departments is oriented towards business practices in terms of implementing principles of productivity, excellence and innovation in offering public services, the notion of brainstorming, the adoption of best practices at the government level, freedom for risk taking and tolerance for making mistakes, a pursuit of collaboration and integration within the government department itself and across all the government departments and authorities through the specialised official committees at The Executive Council. This is due to the explicit emphasis of the political leadership on performance and delivering results, quality and excellence, best practices and innovation.

It was also found from the interviews that the political leadership is acting as a role model for the government officials; for example, the ruler’s open-door policy has been observed at the government departments, by which the senior government officials are approachable by both the employees and customers through the adoption of a lean and less hierarchical organisational structure. This in turn enhanced the level of communication within and among the government departments and enabled fast decision-making, which are features that describe the personal character of the ruler. This was in line with Sampler and Eigner (2008), who explain that the ruler’s open-door policy and accessibility is strongly echoed in the management of the government.

The interview findings revealed that along with the economic growth that Dubai has witnessed, there has also been a cultural shift in this emirate that is most experienced in economic and cultural globalisation. With reference to the status of women in the UAE, mentioned in chapter 4, all the interviewees affirmed that there was never gender discrimination in education or the workplace, as both men and women have enjoyed the same rights since the formation of the federal state. One interviewee commented,

“Women’s rights and freedom were never an issue in the UAE. Women were always empowered from the days of the late Sheikh Zayed, the founder of the UAE, and it is not a new thing.” (AC3)
Another interviewee added,

"Women opened many doors in the workplace, and this was possible because of the support of the leadership in the UAE and its belief in the importance of the role of women. Women are described by Sheikh Mohammed Bin Rashid as 'the soul of the place', the presence of women is essential whether this place is an economic institution, an education institution or anything else." (AC9)

One of the interviewees stressed that the historical openness of Dubai gave women a greater presence in business and economic life; he continued,

"Women in Dubai have owned, sold and bought land and property since the 1930s. The presence of women in economic life has been felt since that time. During the economic boom phase, women established factories, construction companies, opened shops, and their historical presence in the economy wouldn’t be there if it was not socially and culturally accepted by the society." (AC7)

All the interviewees stated that the culture of the UAE in general had witnessed a gradual and natural change over time and become a globally oriented culture, at the same time retaining its own character and the inherited cultural values as an Arab-Islamic society. One interviewee pointed out that “the UAE today is not as tribal as many think; it has become very much a global place” (AC2). The culture was described by another interviewee as a living organism that carries within it cultural values as oxygen. This organism needs to inhale oxygen in order to survive and grow, “similarly a culture needs to interact with other cultures otherwise it will vanish if it is kept isolated”. (AC9)

The UAE is an open society and its culture has been influenced by the many factors mentioned by the research participants. These factors can be classified as external and internal. Starting with the external factors, until end of seventies the political course of events in the region opened up the society, with its Arabic tribal and Islamic cultural roots, to Arab Nationalism; for example, the Palestine-Israel conflict made the UAE feel part of the larger bloc of the Arab community. After the seventies, there was a new influence on the state’s culture, the Islamic variable. Although the UAE is a Muslim country, Islam does not mean political Islam. Regional and international politics, such as the Iranian revolution, the Soviet intervention in Afghanistan and the fear that the Soviet hegemony might spread to the Gulf region, resulted in the establishment of the Gulf Cooperation Council (GCC) in 1981. One interviewee commented that “these regional and international events were reflected in the educational policy and curriculum of schools, and how young people were thinking in the eighties” (AC7). Since the nineties, globalisation has been a major cultural influence, with geographical and cultural barriers
effectively removed by the technological revolution, in terms of the Internet and international satellite television channels exposing the people to other cultures.

With regard to the effect of internal variables on culture, since the formation of the federation and the discovery of oil the huge inflow of expatriates has had a significant influence on the UAE. Thus, the culture of the UAE has interacted gradually and naturally with other cultures through the presence of different nationalities living and working there. This is in addition to the historical presence of the Indian, Iranian and African merchants, particularly in Dubai. One interviewee said,

"Today when you walk in the streets and the malls, you will see thousands of people walking with you, of different nationalities; each person carries with him a different culture and values." (AC9)

The interview findings revealed that foreign education played an important role; one of the interviewees stressed that since the sixties people studied at English speaking schools in Dubai; later, when the first public schools were founded, they were still partially British-administered. This was followed by private schools that attract a large percentage of the Emiratis. Thus, foreign education, the technological revolution, globalisation, economic openness and cultural openness have all played a role in changing the culture of UAE society, to become the globalised culture recognised by almost all of the research participants.

According to the interviewees, the traditional welcoming and tolerant nature of Dubai created an attractive environment for expatriates and foreign investors. The culture of tolerance and embracing others’ cultures had a positive impact in making the UAE in general, and Dubai in particular, a very attractive place for expatriates. One interviewee stated “it is a peaceful, welcoming environment and culturally accommodating, and this encouraged foreign human capital to come to the UAE and Dubai” (AC4). Another interviewee added,

“The cultural features of Dubai helped the Dubai model greatly. When you ask the expatriates who live here why they chose to live in Dubai and the UAE, they say safety, and because the people are very nice. They will tell you that they have lived here for twenty years and have not been insulted by or faced any kind of violence from the Emiratis. Everyone respects each other’s culture and religion, and this has made Dubai attract a workforce from all over the world.” (AC9)

This view was shared by all the expatriate research participants, including the senior managers in financial institutions and private non-financial firms. One interviewee, an expatriate from the private sector, affirmed,
“Dubai still has the identity as an Emirati city with its traditions; it is really interesting and dynamic in terms of its cultural aspects, as there is this incredibly open diverse melting-pot of cultures. For me as a parent, I love the fact my kids are growing up in a society that is multicultural and multi-ethnic, with the opportunity that many children in this world will never have in terms of growing up in a city like this. This also makes it easier from a business perspective to bring people in.” (PS2)

Some of the interviewees noticed that there are new cultural variables that society was not familiar with. For example, the culture of consumerism that became dominant among Emiratis, one interviewee commented “the culture of consumerism, which is new to our society, this culture is good for companies as they are looking for markets to absorb their products, yet it is not a good culture” (AC10). Another example of a variable which is new to the UAE, although not to Dubai, is the investment spirit and entrepreneurial culture. The same interviewee continued,

“There is a trend toward entrepreneurship that has become part of the UAE culture. College students are now thinking about businesses to launch before they graduate. You will even find a young traders programme in schools. Part of the culture now is the expectation that every Emirati is an investor and has a business. You find young Emiratis are going to China and Thailand seeking for products and business opportunities.” (AC10)

Like other cultures, the culture of UAE is facing challenges. A key cultural concern raised by some of the interviewees is that although the UAE is receptive and open to other cultures, this openness should not be unconditional and without limits. One participant believed that although the culture interacts and merges with other cultures, such interaction “should not destroy our uniqueness as an Emirati culture. There should be adequate openness” (AC9). Another interviewee explained that his concern was loss of the national identity, stating,

“The identity of the country began to decline when we first became globalised; hence we want to emphasise restoring our national identity.” (AC5)

This concern that was raised by the interviewees urged the author to consider the culture from a more critical and multi-faceted perspective, rather than merely the nature of the hospitality and tolerance of cultural differences among the various nationalities living in Dubai and the UAE in general. Studying the cultural context of Dubai is not only about observing the nature of the Emirati culture as accommodating and receptive to others, but more importantly it is about the emergence of a multicultural society in which the social structure reflects the population imbalance, with the indigenous minority and the expatriate majority; this cannot be bypassed without discussion as it raises questions about the multicultural nature of the city-state, the
challenge to national identity, the issue of citizenship, and assimilation. According to Short (2004), the various ethnicities and cultural diversity are considered one of the distinctive features of global cities. Although Dubai’s multiculturalism is considered an asset to the city-state, with social and cultural diversity being valued positively by the majority of interviewees, Dubai’s culture can be described as one of diversity (ethnic, linguistic and religious differentiation) rather than homogeneity; this can create demographic tensions despite the open coexistence of multiple nationalities that contributed to Dubai’s becoming a global city not only economically but also culturally. Note that although Dubai is multi-cultural, the city-state is governed by Emiratis and despite being in the numerical minority, it is the dominant culture.

It is clear that the city-state of Dubai is greatly dependent on foreign labour to keep the economy growing because its own Emirati labour force is not sufficient to meet the rapid demand in the job market for specialised workers in light of its economic growth. As explained in chapter 4, the expatriate workforce constituted around 96 per cent of Dubai’s total employment in 2011, which demonstrates Dubai’s ability to attract mobile foreign human capital and workers. This huge percentage of expatriates contributing to the economic growth of the city-state is considered a key feature of the economic and social development of Dubai. Also, the large proportion of expatriates created a favourable situation for the government due to the flexibility of the labour force in both size and qualifications, enabling it to meet the developmental goals and fast implementation by providing the necessary human resources for the planned and initiated projects (Hvidt, 2009). Hence, the government of Dubai has benefited from having mobile human capital that fills the shortage of labour to meet the demand generated by the economic development witnessed in the city-state, while maintaining control over the nature and terms of expatriate residency and their legal presence in the state. Note that the UAE’s legal system does not recognise the status of an ‘immigrant’ who intends to settle in the country. There are many regimes that define and manage population mobility, as described by Schiller and Salazar (2013). Also, Nyiri (2010) explains that as more people are on the move due to globalisation and the ease of human capital movement, states are attempting to maintain their authority not only over mobility but also over its meaning. In the context of this case study, the expatriate workforce in the city-state and the UAE in general are employed on fixed contracts and work permits that confine them to a specific employer and, for unskilled labourers, specific areas of housing. Also, there is no migration law in the UAE to grant expatriate residents citizenship or even permanent residence, no matter how long they have lived in the country. Accordingly, the government maintains authority over population mobility, determined by the terms of residency based on the employment contracts. This is applicable to both types of expatriate: highly skilled professionals and unskilled labourers working mainly on construction sites.

Isin and Turner (2007) define citizenship as having both a legal status that confers an identity on persons and a social status that determines how economic and cultural capital are recognised. They explain that citizenship is synonymous with nationality, by which the citizens
are proud of the society to which they belong. There are a number of reasons for not permitting nationalisation or granting citizenship to expatriate residents. First is the risk of change in the identity of the nation-state; indigenous Emiratis might lose their national identity since they are the minority in the country. People in the city-state of Dubai are not bound by a common shared identity, which can be considered (Schiller, 2012) a concern in the discussion of public policy and social cohesion. Secondly, citizenship in the UAE is associated with generous privileges and benefits including grants of residential land, marriage grants, protection from unemployment and job insecurity, subsidised housing, education, healthcare, electricity and basic foodstuffs. Although the per capita income in the UAE is among the highest in the world (a per capita GDP of US $ 49,800 in 2012, as mentioned in chapter 4), it would be a potential burden on the government to extend these benefits to a larger numbers of new citizens. Thirdly, as Isin (2012) argues, citizenship has to be looked at from a political perspective; in this sense, citizenship is associated with claiming rights. For example, while the indigenous Emiratis agree with the culturally accepted inherited political regime of “Sheikhdoms”, expatriates coming from different political regimes might claim the right to question the status quo, which can be seen as a threat to the existing political regime and a source of potential political unrest. Fourthly, Isin and Turner (2007) and Isin (1999) consider that citizenship means belonging to a society through the construction of a set of contributory rights, entitlements and duties that form the identity of the nation-state. Hence, the notion of citizenship is not only a matter of enjoying the rights to certain privileges, but it also involves duties and obligations to the state. These national duties include the obligation for military service, belonging to one society, and loyalty to a single nation-state, all areas of political concern. Accordingly, these reasons could explain why citizenship is controlled; it is a critical issue for the identity of the nation-state not only culturally but also politically.

Although the issue of citizenship involves socio-cultural and political considerations, it is also necessary to mention that it is a challenge for the economy because, since the expatriates do not get citizenship, a huge proportion of them regularly transfer money to their dependent families in their home countries. This can be considered as a loss of money that could be spent and recycled in the economy of the UAE if there were programmes to incorporate expatriates in the society and provide them with a greater sense of settlement. In this regard, the 100 per cent foreign properties ownership law can be seen as a way to encourage expatriates to consider a longer stay in the country and develop their sense of belonging to the city. Also, the city’s attractions, including shopping centres, dining and entertainment facilities, are intended not only to attract tourists but also to encourage the expatriates to spend what they earn in the city.

It appears that managing and controlling the country’s demographic imbalance along with its associated tensions is an ongoing challenge for the government; it has to address this concern that can influence not only social stability (the interconnection of citizenship, cultural and political identity of the UAE) but also economic sustainability, given that expatriates constitute the vast
majority of the workforce in Dubai. In 2011, a decree was issued to allow children born to Emirati mothers and expatriate fathers to have UAE citizenship (Al Qassemi, 2013). However, there are no other initiatives attempting to address the issue of the demographic imbalance in the city-state and in the country in general, or to investigate ways in which to assimilate the large number of expatriate residents.

This section concludes that almost all the research participants, including the interviewees from the financial and private non-financial firms, agreed that the receptive culture of the UAE in general and Dubai in particular has created an attractive environment for the multiple nationalities. They added that social stability, along with political stability, in the UAE is considered a prerequisite for attracting investment and business activities; this is, of course, in addition to the business atmosphere and the economic incentives provided, which will be explained in detail in Chapter 7. One interviewee commented that “no investor will be encouraged to come and live in an unstable environment or an environment that is not welcoming to foreigners culturally” (AC7). Hence, the culture has attracted expatriates to work and live in Dubai, where they can practise their traditions, cultural and religious activities in the way they practise them at home. Accordingly, its culture has enriched Dubai’s model of economic development, as it has strengthened its ability to attract human capital from different countries, and those with different expertise. However, the existence of expatriates as the majority of the population goes deeper. The large number of expatriates in Dubai presents an imbalance in the social structure, accompanied by tensions for the policy makers. On one hand is the challenge of granting citizenship to expatriates, the threat to the national identity along with socio-cultural, economic and political consequences. On the other hand is the challenge of incorporating and assimilating the expatriates into society in a way that ensures their ongoing contribution to and participation in the city-state’s developmental path.

6.4 Conclusion

The findings of the interview data indicate that the political framework of the UAE and the state constitution support the emirate of Dubai through maintaining political stability and security at a federal level, while giving all the emirates including Dubai the right to own and manage their natural resources, as well as autonomy to manage their domestic political, financial, economic and administrative affairs. This has enabled Dubai to pursue its economic development plans and form the model of economic development envisioned by its political leaders. The federal-local governance framework, the responsibilities of the federal government institutions and the nature of the relationship between the federal government and the seven emirates are determined by the UAE’s constitution. Hence federal laws and public policies are governed by the constitution, whereas domestic policies are left to each emirate to decide and manage. This autonomy in adopting domestic policies enabled Dubai to pursue its economic development
strategies and continue building on its historical commercial legacy, as affirmed by all the research participants.

The interview data also revealed that almost all the research participants acknowledged that the cultural features of UAE society created an attractive embracing environment that stimulated expatriates to live, work and invest in the UAE in general and Dubai in particular. The open, tolerant nature of the culture of the society supported the Dubai model of economic development by offering this accommodating environment that respects and satisfies the multinationals’ cultural needs. Nevertheless, the discussion of the population imbalance is a key feature of the social structure of the city-state of Dubai and the UAE in general; it is a challenge that should be addressed by the government and policy makers. Although the expatriates are an integral part of Dubai’s development path, they do not have the right to settle permanently, and have only a temporary legal status. Managing the demographic imbalance and the associated tensions should be a government priority, as there is a potential challenge or even a threat to the state’s social and political stability as well as its economic sustainability.
CHAPTER 7  EMPIRICAL AND ANALYTICAL RESEARCH FINDINGS ON DUBAI’S NARRATIVES AND INITIATIVES

7.1 Introduction

This chapter discusses and analyses the empirical research findings from the in-depth elite interviews. The 46 interviewees were divided into three categories, embracing the key stakeholders in Dubai’s economic development and growth. In the first category are Dubai government officials and policymakers; the second includes senior managers of national and international banks and financial institutions in the emirate; and the third category involves managers from the private non-financial sector, specifically international companies from various industries including technology, media, healthcare, and the retail sector in Dubai. The analysis of the interview findings is based on understanding and triangulating all the participants’ views in response to the interview guides presented in Appendix B, C, and D. In line with the methodological approach of narratives and performance and the theoretical framework of the multidisciplinary literature (discussed in chapter 2), the structure of this analytical chapter is in two sections. Section 7.2 critically discusses Dubai’s narrated vision and motives from the interviewees’ perspectives, in order to assess whether they exhibit consistency and a common understanding; section 7.3 analyses the emirate’s development initiatives and investigates their relation to the narrated vision. This corresponds to the first two components of the first research question, introduced in chapter 1:

a) How do the elements of Dubai’s narratives, development initiatives and actual economic performance interact in the environment of financialized capitalism?

A code has been assigned to each quotation, to identify the stakeholder category and avoid repetition of long professional titles: GO, BA and PS represent the three categories of government officials, bankers, private non-financial sector managers. The full code list is given in Appendix H. Section 7.4 offers closing remarks and summarises the outcomes.

7.2 Dubai’s Narrated Vision and Motives

It appears from the empirical research evidence that almost all the interviewees from the three categories share a common understanding of the narrated vision of the emirate, that is in essence centred around elevating the prominence of Dubai and establishing it not only as a regional but also as a global hub. Almost all the stakeholders interviewed were in no doubt that Dubai’s narrated vision is ‘to become a global city’, ‘a global centre for trade, services, logistics, tourism and financial services’. See Appendix J for examples of interviewees’ quotations
illustrating the general common understanding of Dubai’s narrated vision. One of the participants expressed Dubai’s vision as follows,

“To develop Dubai to be in the same league as first-world cities such as New York, London and Tokyo. Dubai aspires to be in the top league with these cities.” (GO12)

The interview findings agree with Sampler and Eigner (2008, p.65), who state that “the vision of the leadership in Dubai seems to be widely understood. Generally, it is about transforming the emirate into a magnet for tourists, workers and corporations from around the world based on high-quality facilities, infrastructure and way of life”. One of the government officials pointed out that although there was originally no written vision statement, there was a wide understanding of the vision that was shared not only among government officials, but also among almost all the stakeholders in the emirate. This can be attributed to the presence of the political leadership (Sampler and Eigner, 2008), through which the vision was disseminated and constantly communicated by Sheikh Mohammed Bin Rashid, as it had been by his father, in speeches, interviews and meetings with government officials and the business community. This absence of a written vision can be attributed to the inherited culture of the UAE, historically a society based on oral communication, as mentioned in section 6.2.3; hence, the cultural environment of the emirate did not require a written vision as it was disseminated verbally. Said (1983) emphasises that the national cultural environment provides the meanings and explanations to understand the specific activities and practices that occur in any given place. However, the government of Dubai did eventually explicitly express its vision statement and objectives in the Dubai Strategic Plan 2010 that was announced in 2000; see Appendix K.

In the cultural economy literature (Scott, 2000a; Boje, 2001; Du Gay and Pryke, 2002; Law, 2002; Thrift, 2002; Slater, 2002; McRobbie, 2002; Negus, 2002; Nixon, 2002; Mcfall, 2002; Miller, 2002; Pryke and Du Gay, 2007), the study of narratives has mostly addressed Western countries and corporations. This research, however, represents Dubai as an Arab Middle Eastern case study to demonstrate that the narratives can not only be disseminated through non-written channels, but can also be positively considered by the business community and the public, who in turn form what Boje (2001) describes as a linear cohesive story narrated by several narrators who lived through the same experience. In written literary works, Genette (1997) explained that narratives are disseminated not only by the author’s own text but also through what he called ‘paratexts’, which are additional materials such as cover page image, extra texts and testimonies by the editor, publisher, media and other famous authors. The importance of the paratext concept is that it influences the public reception of the written literary work. In the Dubai case study, it can be argued that the city’s narrative has not only been disseminated by the ruler and government officials, but also by others including the media, the public, business experts and expatriate investors who have experience of the emirate and have been associated with its development path. This supports the assumption of cultural economists
such as Callon (1998), Scott (2000a), Du Gay and Pryke (2002), Pryke and Du Gay (2007) and Amin and Thrift (2007), who argue that a given economic landscape is influenced and performed by narratives; this was observed by the researcher in the case of Dubai through the narrated vision and its wide reception by almost all the research participants.

It was observed that the interviewees’ understanding of Dubai’s vision was aligned with what was expressed by the ruler of the emirate, Sheikh Mohammed, who stated the vision in his own words,

“Our vision is sharp, our goals are clear, our resources are huge, our will is strong and we stand tall, ready to face the challenges ahead. Our mission is for Dubai to become an international, pioneering hub of excellence and creativity, and we are already striving to make it the world’s premier trade, tourism and services destination in the twenty-first century. We are confident we can reach this ambitious goal, thanks to our dedicated leadership and by providing the necessary infrastructure and environment. But even this is not enough. We also want Dubai to lead in security, safety and dynamic growth, without neglecting that all important element of trust, which we are keen to maintain throughout the local, regional and international business communities. Dubai will never settle for anything less than first place.” (Al Maktoum, 2012, p.7)

Davidson (2008) explains that in the mid-1980s the governments of the Gulf were increasing their overseas investments in the West, whereas the government of Dubai was committed to investing in its own domestic infrastructure. As explained in chapters 4 and 5, the government’s notable commitment in investing in developing the city-state’s infrastructure and establishing economic initiatives, including diversifying the economy and launching specialised free zones, was accompanied by founding the government related entities (GREs) and the Executive Office in order to conceive and initiate mega-urban projects. With this observation, and based on the interview findings and the ruler’s quotation, it seems that Dubai demonstrates a blend of global city narrative and corporate narrative. As perceived and affirmed by almost all the interviewees, Dubai’s narrated vision is to become a global city by continuously upgrading the government services and infrastructure, emphasising the notion of excellence, creativity and competitiveness in practice, which are features associated primarily with private corporations. For example, the concept of excellence and competitiveness is demonstrated through the annual Dubai Government Excellence Program Award that was launched in 1997 to recognise and reward government employees, departments and initiatives (Dubai Government Excellence Program, 2013). This is in addition to the encouragement of the ruler to the GREs to compete in delivering creative projects, as affirmed by the majority of the interviewees; this will be critically explained in chapter 8. This finding is consistent with Schmid (2009), who noted that Dubai tends to be corporate-driven in its approach to governmental practices and city-state
management; and with Dicken (2004) and Clark and Tracey (2004), who argued that in the present-day global economy, cities behave like firms by developing strategies to create a competitive advantage.

Most of the research participants noted that Dubai translated its narrated vision into a clear strategy to establish a dynamic economy; one participant said,

“The government was very specific from an economical perspective in what they would like to achieve; there was strategy in terms of the requirements and how to achieve them, and they were even specific as to which sectors.” (GO14)

This view was supported by a senior international banker,

“Clearly, there is a very clear strategy, whatever is happening in Dubai is not just by luck or without anybody actually working on it and saying how they want to take this city forward.” (BA2)

Another interviewee elaborated,

“Without a shadow of a doubt Dubai developed an economic model which stood out by comparison with its regional peers and was of genuine international significance and quality. For institutions like us that was the economic model, and Dubai executed it with great success.” (BA7)

In addition to the general consensus on the narrated vision, almost all the participants expressed confidence in the vision perceived as a ‘business-oriented vision’, ‘entrepreneurially-oriented vision’ and ‘very healthy vision’. The majority of the participants viewed the emirate not only as a centre for business, but also as a centre for ‘creativity’, ‘freedom’ and ‘change’. One participant said,

“I observe Dubai as a centre of trade, global interaction, an incubator for new and challenging ideas. Dubai is a global player, a centre of fresh air, freedom, change and introduction of new ideas in this part of the world. I think Dubai has done a great job already.” (BA15)

This confidence in the vision was repeated by another participant, who said,

“There was a real vision around the concept of globalisation that was realised a long time ago. Countries, cities and individuals that don’t embrace globalisation I think will struggle in a global market because resources and firms can be located
anywhere since communication is easy and flights are available. There was a real
vision from the leadership to put Dubai on the map. I am very positive about Dubai,
it's environment and its continuing ability to attract great resources.” (PS2)

Interestingly, another senior manager heading an international financial institution expressed his confidence in the vision, stating,

“When I go and give presentations anywhere, people believe that I am from the UAE and that I work for Sheikh Mohammed Bin Rashid [laughs], and I say no I am not from the UAE although I would be honoured to be, but I am a believer in his vision.” (BA1)

Based on the evidence from the interviews, it can be argued that the participants’ shared confidence in the vision, especially from those in the financial institutions and private sector, is for the following reasons: first, it appears that it is in the economic interest of the financial institutions and the private sector to be part of the vision of the city-state since they are benefiting from the business atmosphere and the facilities that Dubai offers, and which they could not find elsewhere in the region. This includes: the ease of doing business; Dubai’s e-government initiative, a new approach which provides government services to people and businesses electronically through the Internet; the modern infrastructure; and 100 per cent business and property ownership, as explained in chapter 5. The majority of the senior managers from the financial institutions and the private non-financial sector referred to Dubai as ‘the choice’ for locating their regional headquarters. A senior manager from an international company expressed his commitment to Dubai, commenting,

“Dubai is a great hub to support growth markets. It has a great infrastructure, cosmopolitan lifestyle, people feel at home, they feel safe and secure; what attracts us is the outstanding infrastructure, schools, roads, services, the airport, and the ability to connect to many countries and cities in the region quickly. We are strongly committed to Dubai.” (PS1)

Almost all the interviewees asserted that Dubai is an attractive choice for multinational corporations, with a well developed infrastructure providing access to the Middle East and North Africa region (MENA). The region’s economics and geopolitics contribute to Dubai’s attractiveness: first, as mentioned in section 5.2, Dubai is located among the oil-rich economies of the GCC with a high average GDP per capita of US $ 50,199 (IMF Data and Statistics, 2013). Second is the notable economic growth of nearby countries; for example, India’s GDP grew from US $ 473 billion in 2000 to US $ 1,947 billion in 2012, and Russia’s GDP increased from US $ 251 billion in 2000 to US $ 1,954 billion in 2012 (IMF, 2013).
The second reason behind the participants’ confidence in the narrated vision is their recognition and appreciation of the direct personal involvement of the ruler in driving and overseeing all social and economic development initiatives in the city; this has assisted in spreading and embedding Dubai’s vision because it demonstrates the ruler’s seriousness in implementing the vision. This is supported by Sampler and Eigner (2008), who note that Sheikh Mohammed is personally involved and a frequent visitor, as was his father, to the major projects, regularly checking progress as well as attending meetings with government officials and the business community. One interviewee commented that Sheikh Mohammed has a presence, and “he makes sure that he visits events, he takes care of his customers, we are here as customers” (PS3). This was perceived as an advantage expressed by several participants. One interviewee explained,

“The good thing in Dubai is that the leader of these initiatives is the political leader himself, Sheikh Mohammed. Investors say that, since the leader is leading it, then this means a lot of the red tape will be removed and things will move smoothly.” (GO4)

The third reason is related to the ruler’s personality as a decision maker. Sheikh Mohammed is widely recognised and appreciated by all the participants not only as a ‘respectful ruler’ who has the ‘vision and courage’, but also as a decision maker who gets things done. He is ‘honest and loyal to his vision’ and a “leader who always sees things and has complete faith in his people that they can do it” (PS4). The ruler was also described as having “a strong desire to make something out of his city and not out of himself” (PS6). One of the interviewees expressed his view,

“Sheikh Mohammed Bin Rashid, I really respect this man because Dubai is really his vision, it is really his thought, and it is an extension of his personality; this is the man who stands behind the vision.” (PS5)

Another senior banker enthusiastically commented,

“Mohammed Bin Rashid and his father obviously made Dubai. That’s why they are liked, people are proud of them, we are proud of them because they have made something out of nothing; they believed in it, and they made it.” (BA1)

The fourth reason is the awareness of almost all the interviewees of the historical commercial and administrative reputation of the emirate, demonstrated by the projects that the government promised and delivered, such as dredging the Creek, establishing Jebel Ali Port and launching the specialised free zones, as mentioned in chapter 5. One interviewee said, “Dubai is building on the legacy of Sheikh Rashid Bin Saeed, where people came and trusted Dubai” (PS3).
Another participant added that “historically, Dubai used to be called ‘Al Wasil,’ which means ‘connection’ or ‘to connect’ and this is what Dubai has become, a trade hub” (BA13). The majority of the interviewees understand the era not only of Sheikh Rashid Bin Saeed, with the story of dredging and expanding the Creek and the belief that “the Creek was the important shaper of Dubai’s vision” (PS1); they are also aware of a previous era when Dubai opened itself as a welcoming port for Persia-based merchants to relocate to Dubai, as mentioned by Sampler and Eigner (2008), Davidson (2008) and Hvidt (2009). One of the participants commented,

“Dubai, unlike many other parts in the region, has a very clear sense of its economic heritage; you look back not to Sheikh Rashid, you look back to the late 19th century and the opening up of Dubai as a free port, welcoming the merchants. It has always had that kind of a function, and this is the modern incarnation of that century-long economic story.” (BA7)

There are two further features of this narrated vision that almost all the participants acknowledged: the first is that the vision was not conceived recently; on the contrary, it was a ‘natural historical evolution’ as described by one of the interviewees,

“In the early part of the 80s, Sheikh Rashid Bin Saeed was very successful in making Dubai a GCC hub. By the late 80s and early 90s, when Sheikh Mohammed Bin Rashid was just about to become Crown Prince, he was very successful in making Dubai a regional hub. So, it was a natural evolution for him to stretch the vision to become a leading global city.” (GO8)

Another research participant elaborated on how the vision was developed,

“By the late 1990s, Dubai realised that it had a strong economic base in terms of trade and logistics, and it aspired to diversifying in new sectors. So in the mid-90s it was the tourism, building on the good reputation of Emirates Airlines, and the Department of Tourism and Commerce Marketing was created. Emirates Airlines was expanded, and marketed Dubai abroad; landmarks were built like Burj Al Arab. Vision 2010 was released in the year 2000 which was basically adding additional sectors, knowledge sectors and service-based sectors, into the economy of Dubai. Hence, Dubai Internet City, Dubai Media City, Healthcare City, Dubai International Financial Centre were built. The idea was that in 10 years 70 per cent of Dubai’s GDP would come from service-based sectors. By 2005, we realised that the goals that we had set in 2000 for the year 2010 had already been achieved in terms of economic growth and diversification, so we needed a new set of goals, and in 2005 we started working on the Dubai Strategic Plan 2015, that was released in 2007.” (GO5)
These views were supported by an interviewee from the private sector who explained,

“Dubai today is in a favourable position as a logistics, trade, and tourism hub on a global basis. It is definitely on the global map. This vision hasn’t just started; it took many years, starting with the vision of Sheikh Rashid, the Creek, Jebel Ali Port: all these built on each other, and once you have the pieces then you will get into the next phase. I think the 2002 to 2008 phase brought Dubai within the context of a globalised economy.” (PS15)

The second feature is that the vision of the emirate is fundamentally an extension of the vision of its rulers throughout history. That is, the development plans were envisioned and primarily driven by the ‘Al Maktoum’ rulers of Dubai. This finding is consistent with those of Sampler and Eigner (2008), Davidson (2008) and Schmid (2009), who argue that Dubai’s development and growth are attributable to its political leadership. A senior government official stated,

“Dubai has been very fortunate that it has a transformational leader who created a bigger than life vision, that we can achieve with very limited resources. Dubai doesn’t have oil, we don’t have gas, so when you compare us to other cities in the region, we are pretty much at a disadvantage, but we have been able to achieve so much in such a short time, and I think that goes back to Dubai’s spirit of being an entrepreneur from the beginning of the 1800s.” (GO15)

When asked about the factors that stimulated the conception of Dubai’s vision, almost all the participants demonstrated a common understanding of the motives behind the vision, and these were mostly driven by internal rather than external influences. The motivation emerged historically with the rulers’ desire to establish a dynamic economy to achieve future sustainable growth. Moreover, the historical reputation of Dubai as a commercial port in the region motivated the policy makers to build and capitalise on this reputation. The dominant motive that almost all the interviewees emphasised was the lack of natural resources in terms of oil and gas. Although Dubai is located in an oil-rich region, as mentioned in chapter 5, it has insignificant amount of natural mineral resources, which stimulated the policy makers to look for other sources of national income. One interviewee stated that “the lack of natural resources motivated Dubai to be smart and innovative in finding ways to sustain itself and stay in business” (GO13). Similarly, another interviewee mentioned that the key motive behind the vision is a ‘sustainability point of view’, acknowledging that Dubai has no considerable oil or other natural resources, so the policy makers “had to think of alternatives to sustain Dubai’s presence in the region” (PS12). A senior banker elaborated,
“Dubai has no oil reserves like the other GCC economies, and this motivated them to be innovative and creative in their approach, and try to find other sources of income, and this was an entrepreneurial approach by Dubai.” (BA13)

Interestingly, one of the senior managers in the private sector described the lack of oil as a “delightful absence of hydrocarbons that made Dubai innovate faster and far more than its neighbours, because it was a necessity” (PS10). That ‘necessity is the mother of invention’ was expressed by one of the senior managers from the banking sector. In addition to the recognition of the limited natural resources and the need to find other sources of income, another ‘God-given factor’ was mentioned by participants, which is its geographical location. The region needed a place for trade, business and financial interaction. One interviewee said,

“Dubai is located centrally in the Middle East, linking the West and Europe and South East Asia, but this is not enough because there are many cities that are also geographically centrally located but did not succeed in playing this role.” (PS8)

Based on the interview findings, it could be argued that although the geographic location was an advantage for the emirate, the noteworthy issue was Dubai’s ability to recognise the need for a hub to connect the East with the West; as one of the participants remarked,

“There was nothing in this region that could satisfy the need to connect the East with the West. Thus, Dubai saw the need and captured the opportunity before anyone else in the region.” (BA13)

7.3 Dubai’s Development Initiatives

As mentioned in the previous section, lack of natural resources stimulated Dubai’s political leadership and government to seek alternative sources of national income, as well as transforming its urban and economic landscape by pursuing proactive economic policies, strategies and projects. According to Hubbard and Hall (1998), Schumpeter (1983) and Harvey (1989), cities and governments have become increasingly entrepreneurial in their urban strategies and practices, and are increasingly preoccupied with the exploration of new ways to promote their economic development. The perceived entrepreneurial behaviour of the government of Dubai has been noted through the establishment of economic projects that are considered new in their application in the GCC region; these include the launch of the specialised free zones, announcement of 100 per property ownership for expatriates, and other activities that were acknowledged by the research participants. The following sections discuss the government’s initiatives based on the analysis of the interview findings.
7.3.1 Essence of the Dubai Economic Model

Almost all the research participants emphasised that international companies were not encouraged to come to Dubai only because of the tax-free environment, but also by other incentives and facilities provided in the emirate. These features can be classified into ‘hard infrastructure elements’ and ‘soft infrastructure elements’. Starting with the soft elements of the model, almost all the participants considered them as the prerequisite that enabled Dubai to develop its hard infrastructure. There was a strong belief among all the participants in the ‘entrepreneurial approach’, the ‘determination’ of the political leadership of Dubai, and the proactive role of the government in driving the economy. One interviewee said,

“They dared to take the first step. Starting and taking the initiative is not common in the region, but the spirit of taking initiatives is present in Dubai.” (GO4)

Another participant added that “Dubai has been blessed with an exceptional ruling family, the late Sheikh Rashid and Sheikh Mohammed Bin Rashid” (PS10). Hence, the main element is the political leadership and its role in pushing for continuous development in Dubai. One of the interviewees remarked that this spirit “trickles down to the government and the government related entities” (GO9). These responses agree with Hvidt (2009), who notes that one of the key parameters characterising Dubai’s development path is that the development is led by the government and the political leadership.

Another element that all the participants emphasised was the historical and current business orientation of the rulers, demonstrated in their support for enabling business and trade, as mentioned in chapter 5 and documented by Sheikh Rashid’s quotation “what is good for business is good for Dubai” (Sampler and Eigner, 2008, p.6). Moreover, it comes as no surprise to know that Dubai’s roots are as a merchant community, as explained by Al Sayegh (1998). Most participants were in agreement that the government operates as a corporation with regard to its management style over the city. One of the interviewees elaborated,

“The essence of the Dubai model is the entrepreneurial approach of the leadership and the way Dubai operates. We don’t operate as a government, we operate as a corporation with Sheikh Mohammed being the CEO.” (GO9)

These findings confirm the suitability of considering the managerialism literature for researching the case of Dubai, since the emirate acts like a corporation with a business mindset, as asserted by all the interviewees and supported by Sampler and Eigner (2008) and Schmid (2009). Based on the evidence from the interviews, it can be argued that the business-oriented mentality of the rulers was reflected in the policies of developing and modernising public services, ensuring an attractive business-friendly environment for foreign investment. As
affirmed by all the interviewees, the presence of the political leadership in Dubai has a major role in planning, initiating and driving the development process. All the research participants affirmed that the government’s modernisation of the public services was an important element that was greatly valued by individual investors and companies. All acknowledged the facilities provided in Dubai as substantial elements of the Dubai model: the ease of doing business, ease of obtaining visas, ease of government transactions and services through the e-government initiative, and less bureaucracy. One interviewee mentioned,

“People in Dubai find it easy to operate, set up companies, get visas, get work permits. It is this mindset that sets Dubai apart from many other governments around the world.” (PS15)

Although the business atmosphere in Dubai was seen as attractive by all the participants, this element on its own cannot ensure attracting international companies and expatriates. One of the participants stressed,

“The biggest incentive that Dubai offers is the quality of life, safety, security, quality of education for children, entertainment, and quality of family life. That’s the fundamental value proposition of Dubai. It is not taxation; people like to live here.” (PS10)

One of the senior bankers commented on this ‘comprehensive’ nature of the city,

“In the olden days, if you wanted to get access to a decent banker, a decent lawyer, a decent media company, if you wanted to find a hospital or somewhere to shop and have dinner on a Thursday night, you had to get on a plane and fly to Europe. Now you get on a plane and fly to Dubai.” (BA7)

The commitment of the government to invest in the infrastructure resulted in building a “very strong and efficient infrastructure, transportation and communication means” (BA15), as recognised by all the interviewees. All agreed that the infrastructure is the key element in Dubai’s model that attracts foreign investment and international companies; infrastructure in terms of advanced roads, transport, hotels, shopping centres, entertainment, connectivity through the international airport, the Jebel Ali seaport which “made Dubai today the third re-exporter port in the world” (BA9), huge warehouse capacity, the ‘Jebel Ali Free Zone’ and the prominent role of Emirates Airlines. One of the interviewees asserted that “the plans for the infrastructure of the city that were put in place set it apart from everywhere else in the region” (PS12). These findings are consistent with those of Davidson (2008), who recognised the commitment of the government since the 1980s to invest in its own domestic infrastructure. This was supported by a government official who said,
“Another feature is that Dubai spends on Dubai, which means whatever Dubai makes in terms of returns from business, as far as they can they reinvest it in Dubai.” (GO13)

The interview findings revealed that the government was able to offer an abundance of features which formed the attractive environment for expatriates to come, work, invest and live in Dubai. One interviewee enthusiastically commented,

“I know many people whose dream is to come and work in Dubai. I was one of those people; I wanted to come and live here, now it would be very hard to take me away.” (PS7)

These features have distinguished the emirate and made Dubai ‘the first choice’ in the region, as stressed by almost all the senior managers from the financial and private non-financial sectors. A senior banker eagerly said,

“As a foreigner, there is only one city that I can really imagine living in; it is Dubai. I would not move to anywhere else in the Gulf for all the dollars in the world. It would just be too difficult for me to adjust. Here I have a sort of balance, which is something very important that some people fail to see.” (BA5)

Another element of the model most interviewees believed significantly differentiated Dubai is the government’s ability to diversify the economy and look for other unconventional economic sectors, such as logistics, tourism and financial services. As shown by Dubai’s GDP composition, explained in chapter 5, the economy in 2012 the wholesale and retail sector contributed 30.3 per cent, manufacturing 15.4 per cent, logistics in term of transport, storage and communication accounted for 14.4 per cent, the real estate sector 12.2 per cent, the financial sector 11.1 per cent, and oil a mere 1.5 per cent (Dubai Statistics Center, 2012a). One of the participants described Dubai’s narrated vision as ‘prudent’ because,

“The dependency on oil is not sustainable in the long term. It is not a wise approach to have an economy whose GDP is totally based on one source, but Dubai has taken steps towards diversification into services such as logistics, tourism, financial and real estate.” (PS3)

7.3.2 Economic Initiatives

One of the key economic initiatives that Dubai took to diversify its economy was launching its specialised free zones (DIC, DMC, DIFC, DHCC, etc.) and these were greatly valued by almost
all the research participants. Davidson (2008) remarks that the strategy behind establishing these free zones was to attract foreign non-oil investment and to overcome the existing legislation, which required Emirati sponsorship of expatriates and prevented full ownership of their businesses. When asked how and why these initiatives were conceived, three government officials who were involved in Dubai’s plans explained that the government conducted in-depth research to explore, first, which industries and sectors would enable further modernisation of the emirate and thus require government focus. Secondly, research into the top industries contributing to global GDP identified tourism, ICT, financial services and the healthcare sector. Similarly, Castells (1996, 1997, 1998), Lash and Urry (1987, 1994), Zukin (1991), Sassen (2001, 2006), Thorns (2002) and Abrahamson (2004) observed that the emergence of the new engine for wealth generation and growth in post-industrial economies centred around information, financial services, recreation and tourism; they also noted that when foreign capital flows into a city, it targets the commercial and financial sectors.

Moreover, the researcher observed that the government conceived and launched its ICT projects during the ‘dot-com’ boom of the late 1990s and early 2000s, in which the global economy, and predominantly Western countries, was experiencing rapid growth in the Internet sector and related technological advances. During the dot-com boom, the equity value of publicly listed ICT companies on the Western stock markets grew rapidly, reflecting the global appetite for investment in this sector (Rusli and Kopytoff, 2011). Following this pattern, the government of Dubai conceived and developed projects that took into consideration the global context, where capital flowed internationally. It also subscribed to Porter (1990, 2000), who explained that countries and cities can gain competitive advantage in the present-day economy by building industry clusters that would stimulate productivity and innovation in a particular sector or industry, as a result of increased competition among the companies. Krugman (2000) further suggested that even places lacking comparative advantage could still create local conditions to drive economic development and growth. This is consistent with the findings of this study, as the majority of research participants acknowledged that the industry clusters of the DIC, DMC and DIFC gave Dubai a competitive advantage over neighbouring cities and countries in the region, as they were the platforms that attracted international companies to locate their regional headquarters in Dubai. Hence, the establishment of these free zones served the government’s vision of diversifying the economy and attracting international companies and investment. One of the senior managers of an international company said,

“The free zones make a real functional difference; it is the ability to have a wholly owned subsidiary of a multinational corporation in the free zones, an opportunity that is not available elsewhere in the region.” (PS2)
Another participant, a senior banker, supported this point,

“There are initiatives are revolutionary in concept; big banks and big companies do not go for joint venture, hence the need for these free zones.” (BA10)

All the interviewees agreed that the free zones provided a conducive environment which attracted foreign investment. This finding is supported by the economic data reported in chapter 5, which noted that these established free zones accounted for 65 to 70 per cent of the foreign investment in Dubai as of January 2013 (Dubai FDI, 2013b). Moreover, the vast majority of the interviewees mentioned that the free zones provided a more industry-focused environment and a more customised regulatory framework that accommodated the needs of international companies and institutions within the same industry. For example, the DIFC provides a regulatory framework based on UK law, which is different from the law in the rest of the emirate. A senior banker from an international financial institution based in the DIFC stressed the value of the DIFC to international banks and financial institutions,

“We need a strong regulator to operate, and the only place that provides us with such is the DIFC. Investment banking is a very regulated business. For banks to come here, you need to have the right legal and regulatory environment, which the DIFC is providing and which is what attracted us.” (BA11)

Not only the companies, but also the economy of Dubai as a whole benefited from these free zones. Most interviewees agreed that the benefit to the economy was seen in the inflow of working expatriates, who increased the demand for residential and commercial properties as well as medical, schooling and retail services. The employment statistics presented in chapter 4 show that 89 per cent of the total population of the UAE in 2011 was expatriate (UAE National Bureau of Statistics, 2011), while the expatriate workforce accounted for 96 per cent of the total employment in Dubai in the same year (Dubai Statistics Center, 2011). One of the interviewees added,

“The impact is on the overall economy; when you attract companies they bring their employees to occupy the residential units and they require and utilise schools and healthcare facilities.” (GO14)

Rationale for Establishing Many Specialised Free Zones

Numerous specialised free zones were established, as acknowledged by the research participants. As mentioned in chapter 5, according to the Dubai FDI office, 23 were established by the government in different sectors and industries (Dubai FDI, 2013b). One of the interviewees remarked that there is a free zone for almost everything, adding that “probably it is
time to have one big free zone” (BA8). This statement reflects the desire of foreign companies and expatriates for autonomy to operate their business with 100 percent ownership and no local sponsorship, although these restrictions still exist under UAE federal law as well as in the rest of the GCC countries. Hence, when asked about the rationale for establishing so many specialised free zones, there was general agreement on the viability of these initiatives as economic clusters, taking into account the value that they add to the economy of the emirate especially in attracting foreign investment. One of the informed policy makers said,

“The hope was that the whole of Dubai would become a free zone; creating so many free zones was Dubai’s way of establishing as much economic liberalisation as possible, and overcoming the local sponsorship system.” (GO5)

This comment was made with reference to the existing commercial ownership law, that requires foreign companies to have a local sponsor or partner in order to set up a business (Davidson, 2008). A senior manager of an international company situated in one of the free zones stressed that it was the way to resolve and overcome the ‘restricting business sponsorship law’ that was viewed as an obstacle hindering the inflow of foreign investment into Dubai; he continued,

“Dubai is part of a federal system, so it was a very smart step to resolve this issue and establish a role model for other emirates and countries. It had to be either passive and wait for the federal legal law to change, or proactive and serve as a role model.” (PS8)

These interview findings confirm that the legal infrastructure is equally important for foreign investors, as is the vision by which the government established the free zones. Accordingly, initiating various industry-specific free zones was an appropriate alternative for both the government and foreign investors, whether corporate or individual. This supports Boyer (1996), Kenworthy (1997) and Coe et al. (2007), who note that governments do not just respond to globalisation, but are authors who facilitate or restrict trade and transactions through pursuing economic policies to promote the flow of economic and financial transactions to their territories. This was demonstrated by the case of Dubai, as the government established the specialised free zones out of necessity because of the restrictions of the legal infrastructure with reference to commercial ownership and the banking law that did not meet international standards, so UK law became the governing legislation within the DIFC. This finding demonstrates that the case of Dubai supports the work of Clark et al. (2000), Scott (2000b, 2001), Sassen (2001), Thorns (2002), Clark and Tracey (2004) and Robinson (2006), who note that globalisation transforms the economic landscape of any city that aims to operate within current global capitalism, in order to maintain the inward flow of investment.
Additionally, most interviewees recognised that although Dubai was ahead of the region, the government still wanted to improve the services provided to business and overcome the bureaucracy by establishing free zones. One interviewee elaborated,

“Things that required approval were taking too long, businesses were frustrated, so the free zones became centres of excellence with knowledgeable people who are empowered with the authority to establish the regulations for each industry.”

(GO12)

This ensured an easy and fast licensing process; for example a company is licensed within four days if it is established in a free zone, while the process takes two weeks outside the free zones, through the Dubai Department of Economic Development. Another government official explained that the ICT infrastructure in the region had been extremely weak, so the government established the DIC to encourage leaders such as Microsoft and Oracle to establish their regional headquarters in Dubai. Another example is that before establishing Dubai Media City (DMC) as a free zone, the private sector showed no willingness to enter the media industry. However, setting up the DMC encouraged international media institutions like the BBC, CNN, MBC, CNBC Arabia and Reuters to establish their regional headquarters in Dubai. MBC actually closed their office in London and moved all their staff to Dubai, while CNN expanding their offices in DMC. The DMC also opened up opportunities for the local private sector to start investing in the media industry. Two senior managers heading well-known international media institutions confirmed that the government does not interfere in their business; one of them said “I have been working here for ten years, and nobody has ever interfered in my work.” (PS4)

It appears from the interview findings that although the free zones or industry clusters share common features in terms of ease of administrative facilities and exemption from a local partner, they have different requirements in terms of regulations, industry management and their set of challenges. An informed government official emphasised that each of the free zones resulted from a need or an opportunity in the region. This view was supported by the majority of the research participants, who argued that there were opportunities which Dubai recognised and capitalised on. They explained that each sector focuses on a particular industry that requires a specific mandate and rules, hence it is not possible to have financial companies in JAFZA or healthcare institutions in DIC; one interviewee emphasised that “the specialised free zones were not established just for their own sake” (BA4). Therefore, the expansion in the number and variety of free zones was based on existing and potential demand; one of the government officials explained that the companies began by opening sales and marketing offices, then they brought in back office staff and established their regional headquarters. For example, companies in the DMC started with the front office then they wanted to do media production, printing and packaging, resulting in the establishment of a new free zone, the International Media Production Zone (IMPZ). Likewise, for DIC companies who later decided to outsourcing
certain functions, and therefore the Dubai Outsource Zone was established. Another example is the Dubai Knowledge Village (DKV), which began with training institutions and a small presence of universities; eventually the Dubai International Academic City (DIAC) was established to cater for fully fledged international universities, as explained in chapter 5.

Some of the free zones are very specialised, as acknowledged by many research participants. One of the government officials referred to the Dubai Car and Automotive Zone (DUCAMZ), which is a specialised free zone for right-hand drive cars; he explained,

“The concept is simple. Many developed countries have right-hand drive cars, and after certain number of years these cars should be retired from the market; but there are poor countries that can use these cars, and also drive on the left, so there was an opportunity to get the cars here and re-export them to the poor countries.” (GO7)

This view was supported by another example from a senior banker who said that he had heard of something called the Dubai Flower Centre as a free zone; initially he was very curious,

“I can understand Dubai Media City, the Financial Centre, Dubai Internet City, because those are very specific. Flowers have nothing to do with anything. Then I realised that half of the world is asleep when Dubai is awake, so flowers which are shipped from Europe to Dubai can immediately be shipped to Asia and vice versa. It is an amazing business model because you act as a gate between two continents, and the flowers stay fresh, so you are servicing one region when other regions are asleep; you take advantage of that eight-hour time gap, which is very convenient.” (BA9)

Although the majority of the participants emphasised the important role that the various specialised free zones play in the development of Dubai, some of the interviewees mentioned that not all the free zones met their defined business objectives. Some diverged and became real estate-driven projects; this will be explained in chapter 8 when assessing the real estate sector in Dubai. One of the government officials remarked,

“Some unfortunately became real estate-driven initiatives rather than concentrating on the development of industries and specialised human capital and expertise in a particular sector.” (GO10)

As mentioned in chapter 5, the UAE has been the second largest receiver of FDI among the GCC countries over the last two decades. It was observed that the focus of the government was on attracting a high volume of FDI rather than concentrating on its quality in terms of value to
the local economy. This comment was based on the research finding that there had been no policies for directing FDI toward specific sectors or industries prior to establishment of the specialised free zones. Therefore, the government’s strategy in initiating specialised free zones was to establish specific industry-clusters in order to attract FDI to sectors such as ICT, financial services, healthcare and education. One of the government officials remarked that when looking at the free zones and the international firms they attracted,

“People might say Dubai duplicated resources and efforts, etc. You cannot look at certain things at this level with one eye shut. Let’s see the growth, in terms of GDP per capita from 2000 to 2008, let’s see the growth in terms of import and export, visitors and tourists, expenditure, wealth creation, all the IMF indicators for a developed economy, and see how much we wasted. Let’s put that on one piece of paper, and then tell me another way that we could have achieved the same levels of development and growth that we have achieved.” (GO8)

This interviewee’s response supports the financialization literature of Froud et al. (2006), who note that narratives should be backed by numbers; for this reason, the macro-economic performance of Dubai will be analytically assessed in chapter 8. Interestingly enough, although some participants said that there was an exaggeration in the number of established free zones, they still recognised the value of these clusters once they closely observed the operation of a given free zone. For example, one of the research participants stated that he saw no value in creating Dubai Studio City, because he thought the activities could be under the umbrella Dubai Media City. However, he continued,

“I was with the head of Dubai Studio City today. I didn’t know that the movies that were filmed here were done through Dubai Studio City. There are movies such as Mission Impossible that was made through this free zone.” (PS6)

Some of the interviewees suggested that the government has to assess the performance of all the specialised free zones and decide accordingly whether to maintain them or not. However, one senior manager from the private sector commented that the performance of the free zones cannot be assessed just a few years after launching the project. He gave the example of the textile industry, referring to Dubai Textile City (DTC) that was only established in 2007,

“It cannot be evaluated in two or three years; textiles is an evolving industry, you need to build the clientele, you need to bring resources, so it is not easy to evaluate all the initiatives quickly while they are young.” (PS6)

Nevertheless, it was suggested by some of the interviewees, including government officials and senior managers from both the financial and private non-financial sectors, that regular
monitoring and assessment of all the economic free zones should be carried out to measure the value that each added to the economy of the emirate. This agrees with the financialization literature (e.g. Froud et al., 2006) that stresses the importance of providing and studying the numbers along with narratives, in order to validate the latter and investigate any gaps between the narratives and the actual performance.

The Potential of the Established Specialised Free Zones

When asked whether those specialised free zones that succeeded in attracting international companies could create a tangible research capacity in different industries, almost all the participants said that there are no research and development activities in terms of tangible products and manufacturing on a mass scale. One of the government officials stated that this issue is multifaceted; he further declared that “there is no research and development for several reasons: our environment is not conducive to product research and development, lot of pieces are missing” (GO5). The reasons that were confirmed by the interviewees were: first, product research and development activities are linked with manufacturing and assembly, which do not exist on an adequate scale in Dubai because its economy is more committed to the service sector rather than creating domestic industries. This is consistent with Dubai’s narrated vision, as explained in section 7.2. A senior manager who heads an international technology company based at the DIC elaborated,

“Our research and development facilities are not spread out across the 100-plus countries that we operate in. They are very focused, and there are potentially thousands of people working in the research and development environment. They are close to the factories, so it is about the location of the manufacturing capabilities and it is about the pool of resources, the pool of talent, and about your business partners. We need to be closer to chip manufacturers, memory manufacturers, hard drive manufacturers, networking companies, storage companies, so it is multifaceted.” (PS2)

The second reason that was mentioned during the interviews was the lack of high-level intellectual capital, due to the absence of research capabilities in the universities and educational institutions. Also, the international universities which Dubai and the UAE have attracted over the last decade have been business related rather than technological and scientific institutions, e.g. London Business School, Manchester Business School, INSEAD and Sorbonne. This is despite the government’s emphasis on upgrading education and human development, one of the very important pillars of Dubai Strategic Plan 2015, with the establishment of Dubai Knowledge Village (DKV) and Dubai International Academic City (DIAC), as mentioned in chapter 5. One of the interviewees said,
“We have seen tremendous development in the field of education over the last few years. There is definitely investment in human capital and more emphasis on bringing best practices. The learning experience in the schools across the board I think is developing; I feel very positive about it.” (PS3)

However, another interviewee explained that research and development needs to be linked to universities; he continued,

“Which we don’t have, we don’t have specialised majors, and our schools and universities unfortunately lack the research capabilities.” (GO3)

Many of the interviewees stressed the need to focus more on the quality of the education system, and raised the issue of directing the limited local human resources towards those industries identified as important by the government in the vision of the city-state and the Dubai model. One of the government officials expressed his concern about the small numbers of science, technology and medical students, the engine of innovation, in comparison with those students enrolling in general management and business administration. This observation is supported by Naim (2013), who states that in the academic year 2011-2012, Emirati business students constituted 61 per cent of the graduates, 9 per cent had IT degrees and there were no graduates in the natural sciences. Accordingly, even if the emirate were able to attract the companies’ R&D divisions, there would be an insufficient number of scientists to fuel these companies. Another interviewee mentioned that although Dubai aims to become a financial centre, the number of students studying finance, accounting and corporate law is very low. One can conclude that the ‘culture of research’ is absent, as many interviewees stressed. One of the government officials demonstrated the usual scenario,

“The student says, what is the job perspective? I am going to study business because I am going to get a job when I graduate, it pays better, the time involved is shorter compared to the specialised degrees, and even if I get a specialised degree, it will be difficult to find a job in my speciality.” (GO15)

The third fundamental reason that was mentioned by one of the government officials is the lack of reliable information as a foundation for undertaking research activities. He emphasised the inability to direct students toward the real requirements of the job market, since there is no existing authority to advise on the specific majors and professions required to generate greater value for the economy. Hence, there is a gap between the education output in terms of the qualifications of the university graduates and the labour marketplace, which results in producing graduates who are seen to be ‘liabilities’ rather than ‘assets’ for the economy. The fourth reason, that was frequently mentioned, was that R&D require government-private sector partnership; the government should sponsor, for example, a research and development body
which would be supported by the private sector, to undertake R&D activities in all the required fields, such as medicine and other professions. One of the government officials commented that it is generally known that most people die from diabetes and high blood pressure in the country; hence it should collaborate with the healthcare institutions at the DHCC to research this health dilemma and make plans to mitigate it. However, an interviewee from the healthcare sector commented that it would be difficult to attract top talented physicians because they need a research-conducive environment in terms of the availability of labs and university hospitals in which to do their clinical research, as well as needing to be able to teach at universities that are equipped with research facilities.

In summary, there is no R&D in terms of product development and manufacturing, or in medicine and technology; nevertheless, the majority of interviewees mentioned that the government was able to develop expertise in logistics and had attracted research and development around business processes and services. One interviewee indicated,

“Dubai has attracted innovation around logistics; we now have one of the most efficient airline and port logistics systems in the world. Also, Dubai has attracted innovation around trade and around finance.” (PS1)

This finding is supported by the government establishments of Dubai Logistics City (DLC) as a free zone dedicated to logistics services, and Dubai World Central (DWC) as an economic zone to support logistics and aviation expertise and activities (Dubai World Central, 2013). DWC includes Dubai’s second airport, Al Maktoum International Airport that was opened in June 2010 (Dubai World Central, 2013). In this respect, the majority of the interviewees mentioned that R&D should be thought of in terms of services and expertise and not only manufacturing. One of the senior managers of an international bank commented that there is R&D with regard to creating financial products at DIFC in terms of Islamic-structured products; he said,

“We have here the brains and the people to create financial products and Islamic-structured products. We don’t rely on London.” (BA11)

It appears that the global market for Islamic finance which operates according to Islamic law (Sharia law) grew rapidly between 2006 and 2012, with Sharia-compliant institutions increasing in value from US $ 386 billion to US $1,166 billion with an annual growth rate of 19 per cent (Kijang, 2013). In January 2013 the government announced its plan to position Dubai as a hub for Islamic finance through attracting global Islamic capital flows in terms of Islamic bonds (Sukuk) (Vizcaino, 2013). As of November 2013, Dubai’s exchanges have listed US $ 12.5 billion of Sukuk, and the Jeddah-based Islamic Development Bank (IDB) announced that it would set up a US $ 10 billion Sukuk issuance programme on the Nasdaq Dubai Exchange (Vizcaino, 2013; Augustine, 2013). This is in line with the government’s plan to strengthen the
contribution of the financial sector in the economy, which reached 11.1 per cent of the GDP in 2012 (Dubai Statistics Center, 2012a).

With regard to knowledge transfer from international companies to the local economy, the majority of interviewees indicated that it is taking place naturally through interaction between the companies and local government departments. The interviewees’ observations suggest that embracing globalisation by attracting international corporations and enabling interaction with local institutions enables Dubai to benefit from the expertise and knowledge of the international firms; this is reflected in the modernisation of local practices and services noted by Knox et al. (2008). One of the informed government officials gave an illustration,

“The institutions at the DIFC are very specialised and they participate in developing the financial sector, especially the local banking sector. We started to see in the market new specialised financial products that were not available before, due to the existence of big international banks. So the knowledge is here. E.g. for the latest product issued by the Department of Finance, the ‘Salik’ or -road toll system, we had the assistance of an experienced international bank at the DIFC. It was our first experience of this kind, and the local banks who participated also benefited from this experience. So no doubt there is knowledge transfer to government departments.” (GO7)

Another interviewee remarked,

“When you look at how the government operates, yes, technology has definitely transformed the way it works, and the way public interact with the government. The financial centre is also a great success story: DIFC set itself up as an international body, it got its court, it got its laws, it is properly regulated, it has been created as an entirely professional entity with the highest standards I think the results speak for themselves.” (PS12)

It is perhaps worth mentioning the challenge of the population structure that was raised by some interviewees: Emiratis constitute a minority in the population, as mentioned in chapter 4. Consequently, they are a minority in the workforce, the expatriate workforce constituting 96 per cent of Dubai’s total employment in 2011 (Dubai Statistics Center, 2011). This point should be taken into consideration when talking about R&D and knowledge transfer, since several interviewees pointed out that Dubai is bound to have a transient population since there is no mechanism to grant expatriates citizenship. This issue was considered by some participants as problematic, especially for attracting and retaining talent in the field of R&D, since these are considered economic activities that require time, long-term commitment and emotional
attachment to the country. This issue is viewed as a challenge to the sustainability of talented human capital.

When asked about the potential of the established specialised free zones to turn Dubai into a knowledge-based economy, a solid financial hub, a high-tech economy, and a healthcare destination, the vast majority of participants were equally aware of Dubai’s current standing, and there was general agreement that the established free zones are ‘good seeds’ and ‘good platforms’ to achieve future growth. This noted agreement was because they had seen how these economic clusters added value and contributed to the economy of the emirate. A senior banker mentioned that “Dubai is already very close to being a technology hub, a knowledge-based economy and a financial centre; find me a competitor in the region” (BA15). It has been observed that the interviewees’ responses are based on evaluating the initiatives even before measuring their performance, which supports the argument of the cultural economy literature (e.g. Du Gay and Pryke, 2002; Law, 2002) that stresses how narratives and initiatives are as important as performance in framing and shaping the economy. Hence, the establishment of the free zones was not only in line with the government’s expressed and narrated vision to establish the city-state as a hub for trade, finance, tourism, as explained in section 7.2; these initiatives also made the government’s narrated vision more believable to the stakeholders in the economy. This is because these initiatives are tangible and have been conceived, planned and received direct support in terms of initial investment from the government.

This section concludes that the specialised free zones were established as a translation of the government’s narrated vision to position the city-state as a global city and a hub for trade, services, logistics and financial services. As explained earlier, almost all the interviewees expressed their belief in the value of the established free zones and their support for the government’s narrated vision, as they recognised the government’s determination in implementing the announced plans on the ground. Moreover, as explained in chapter 5, these specialised free zones are up and running today and have attracted international companies and institutions to open their regional headquarters in Dubai. One of the interviewees stated,

“You see the vision of Dubai from what Dubai has achieved on the ground today, through the projects and the infrastructure. Thus the vision of Dubai is reflected in what Dubai achieved with its position today in the region and internationally: Dubai has become a centre for trade and commerce, connecting the East with the West, with a strong infrastructure and a comprehensive customer service system.” (BA4)

In terms of the government’s narrated vision and its translation into tangible economic initiatives, Dubai was acknowledged by all the participants as exemplifying the features of the entrepreneurial city. Jessop and Sum (2000) explained that the entrepreneurial city first pursues innovative strategies aimed to enhance its economic competitiveness and create conditions
conducive to capital accumulation within the city; the second feature is that these strategies are explicitly formulated and pursued in an active fashion. This is demonstrated by the government's strategies and plans to position Dubai as a centre for trade, business, logistics, tourism and finance through establishing initiatives that were new to the region; to recap, these initiative include the 100 per cent business ownership law; the e-government approach to providing government services to people and businesses through the Internet; and the launch of the specialised free zones for ICT, financial services, healthcare and education, based on Porter's strategic theory of clusters (Porter, 1990, 2000; Sunley, 2000), as explained in chapter 2. Moreover, the majority of the interviewees view Dubai as an entrepreneurial city, especially in its approach to diversifying the economy and creating other sources of income, unlike its oil-dependent neighbours. One of the interviewees said,

"Dubai has no oil reserves like the other GCC economies and this motivated the government to be innovative and creative in their approach to finding other sources of income; this was the entrepreneurial approach of Dubai." (BA13)

A senior manager of an international company stressed,

"It is a long-term vision and is very entrepreneurially oriented. This gives us trust and confidence that it is something you would like to be part of, because it is very business-oriented and very progressive in its thinking." (PS7)

7.3.3 Economic Activities and Marketing Initiatives

Avraham and Ketter (2008) note that places try to build an image that attracts several target audiences, such as potential residents, investors, firms and tourists. As explained in chapter 5, Dubai since the 1990s has introduced many festivals, sporting events and specialised exhibitions, such as the Dubai Shopping Festival (DSF), Dubai Summer Surprises (DSS), Dubai International Film Festival, Dubai Desert Classic, Tennis Tournament, Dubai Annual GITEX exhibition for information technology, Dubai Air Show and the Arabian Travel Market Exhibition (Davidson 2008). When asked about the value of these activities and events, all the participants strongly affirmed their importance and value to the emirate. They explained that all these activities serve Dubai's vision of becoming an attractive city and a hub for tourism, since tourism is one of the key economic pillars that the government will continue to develop in order to diversify its economy. One interviewee emphasised that the government will support anything pertaining to the tourism chain, because “this is one of our pillars besides trade and logistics” (GO3). Another interviewee added “Dubai has invented a new way of attracting people all year long” (BA11). Moreover, almost all the interviewees mentioned that through these various activities and events the government has created new attractions throughout the year. This was reflected in the growth of passenger movements at Dubai airport, from 13.5 million in 2001 to
50.97 million in 2011, and a stable high average of 77.3 per cent hotel occupancy over the last 10 years, as mentioned in chapter 5.

It appears from the interviews that there are two significant outcomes of these activities and events: an economic value, and a brand positioning and marketing value. Almost all the participants remarked that these events brought visitors to Dubai, boosting the local tourism industry which is a mainstay of the emirate’s economy. One of the interviewees explained the government’s constant efforts to improve the attraction and quality of life in Dubai:

“We used to conduct a survey every three years called ‘living in Dubai’. We used to ask people what they liked about living in Dubai and what they didn’t like, and that covered all the segments of society: Emiratis, Arab expats, Asian expats, and so on. A lot of the findings were transformed into initiatives and projects. For example, feedback that we constantly received was that Dubai does not have good art scene, so if you notice in the last few years there has been a lot of focus on art exhibitions and galleries in Al Qouz and DIFC.” (GO5)

Another interviewee summarised the value of these activities,

“These events boost the lifestyle in Dubai. These initiatives and events are good marketing tools where people can touch and feel the experience. Emirates Airlines is the biggest marketing tool for Dubai, but don’t forget that the conferences and the exhibitions are an industry on their own that attract various people to visit and experience Dubai. This has resulted in high inflow of people to Dubai, hence a busier airport, busier hotels, more shopping and dining, and it is overall good for the economy.” (BA13)

Another interviewee illustrated the value of the government-established events by giving the example of the IT exhibition GITEX:

“GITEX is not only a showcase for the latest technologies from companies around the world, but it is a point where people connect to create new partnerships. These events further boost the image of Dubai and benefit the economy.” (PS3)

These interview findings are in agreement with Kotler et al. (1993), Bridge and Watson (2000a), Avraham and Ketter (2008), who indicate that investment in a place’s image by urban branding and marketing has a positive effect in promoting a given city, as well as making a significant contribution toward increasing place attractiveness. Also, Ashworth and Voogd (1994) emphasise that the perception of a given city and the mental image in people’s minds contribute to the place’s success or failure. In this respect, almost all the research participants affirmed
that the government is active in initiating activities that aim to market the city-state as well as attract visitors to experience Dubai and showcase its developments. The interviewees also agreed that the government initiatives in marketing the city were in line with its narrated vision, and served the government objective of boosting the position of Dubai as a vibrant city. This is consistent with Hvidt (2009), who explains that the strong intervention of the government, with regard to its perceived entrepreneurial economic and marketing initiatives, is the key driver that has transformed its spatial and economic landscape. It was remarked from the research findings that the government did not depend only on conventional marketing by using advertisements, but most importantly marketed its urban landscape, including iconic landmarks such as Burj Al Arab, Palm Island and Burj Khalifa. This strategy was explained by (Crilley, 1993), that cities increasingly market their urban projects as there is no better advert for them than their own urban landscape. This is the case of Dubai, as explained by Schmid (2009): the government invested in building a themed urban landscape that was able not only to generate media attention but also to publicise the city-state as entrepreneurial, with urban policies and developments that significantly transformed the urban landscape. In addition to its economic value in increasing the number of tourist and passenger movements as mentioned in chapter 5, the government-established Emirates Airlines is considered important in marketing the city-state. This was commented on by the majority of the interviewees, for example,

“Emirates Airline ‘EK’ enabled Dubai to enforce and support its position. EK connected continents and facilitated the speed of services; it not only opened many routes to most countries in the world, but its high frequency of flights to certain destinations is readily available.” (BA4)

Barke and Harrop (1994) and Hubbard and Hall (1998) argue that place branding and marketing is seen as a central component of urban entrepreneurialism, whereby governments increasingly promote their cities as a favourable and vibrant environment for business and leisure. Jessop and Sum (2000) explained that one of the features that describe entrepreneurial cities is that their promoters actively market them. This feature is demonstrated in the case of Dubai, as remarked on by all the interviewees; the government is active in marketing the city through the observed calendar of events, festivals and exhibitions throughout the year. A new addition to the city-state calendar is that Dubai will host the World Expo convention in 2020, as announced on 27 November 2013, defeating rival bids from Russia, Brazil and Turkey (BBC, 2013). This is an international exhibition that has never been held in the Middle East, Africa or South East Asia since it began in 1851. It is expected to generate value for the host city and nation, as well as boosting its importance through international marketing and publicity (O’Ceallaigh, 2013).

3 World Expo is six-month international exhibitions that attract millions of visitors to explore pavilions, exhibitions and cultural events staged by hundreds of participants including nations, international organisations and businesses. Each World Expo is a catalyst for economic, cultural and social transformation.
7.3.4 Institutional and Governance Initiatives

Cerny (1997) pointed out that in the current world economy, countries and cities are proactively adopting complex changes in their regulatory systems and political and institutional structures in order to be competitive in attracting FDI. As explained in chapters 4 and 6, Dubai developed its institutional structure by establishing The Executive Council (TEC) as a platform to ensure more cooperation and efficiency among the local governmental departments, in monitoring the implementation of Dubai’s strategic plans. It was also noted in chapter 4 that most of the development initiatives in the emirate since early 2000 were driven primarily by government-supported commercial enterprises such as Dubai World, Dubai Holding, and Investment Corporations of Dubai (ICD). Most interviewees confirmed that these companies have played a major role in the economic evolution of Dubai, stressing that Dubai is run as a corporation rather than a traditional government. One of the interviewee said,

“The essence of the Dubai model is the entrepreneurial approach of the leadership and the way Dubai operates. We don’t operate as a government; we operate as a corporation with Sheikh Mohammed as CEO.” (GO9)

This suggests that the governance structure in Dubai is a hybrid of traditional government and modern corporate practice, which is consistent with Schmidt’s (2009) opinion that it is corporate-driven, and run as a corporation with its ruler being its CEO. The institutional structure and the governance system were explained in chapter 6. However, when asked about Dubai’s organisational structure with regard to the GREs, participants remarked that the structure was still evolving as a result of the economic development and the growth of the projects and initiatives. The organisational design started with one project and then progressed. One of the involved government officials explained,

“In 1999, there was only DIC, then DMC and DKV were established. Later, TECOM was formed to hold these initiatives together. Then, the Executive Office was formed, followed by Dubai Development and Investment Authority to attract FDI, and things progressed. Dubai Holding was launched in 2006 to bring all the initiatives under its wing. Similarly, Dubai World was formed as a holding company to bring the entities under one umbrella. The newest entity is the ICD, which is about two years old, and was formed to group all the government sovereign investments under one umbrella.” (GO8)

The majority of interviewees acknowledged that the decisions and approval of new initiatives and projects had to be obtained from the ruler, who ultimately oversees these companies and their projects. Nevertheless, almost all the interviewees recognised that when it comes to management, there was a decentralised organisational structure since every company was
formally established and given the autonomy and flexibility to operate according to its business mandate, within a regulatory framework and governing laws. One of the government officials commented,

"Every company is independent to some extent; they have their own budgets, they report differently, they have different KPIs." (GO15)

Almost all participants agreed on certain features that describe the decentralised organisational structure of the GREs. The first feature is a clear absence of coordination among the established GREs, as they were established as independent commercial companies. A government official declared that although all of these companies function within the framework of Dubai’s vision, there is no clarity at company level with regard to accountability for the speed and volume of development of each entity, in relation to the overall vision. Another government official explained that there is no written agreement on goals among the GREs, which would align all the companies’ goals with the emirate’s ultimate objectives; the goals are left to the companies to decide. The second feature, which explains the decentralised structure and hence the absence of coordination among the GREs, is that the government encourages competition among the companies to stimulate productivity and creativity. One of the interviewees said,

“There was broad agreement on the vision and goals, but we didn’t see cooperation and coordination among the companies; instead we saw competition.” (BA7)

This statement was supported by a government official, who affirmed,

“The whole Dubai model was based on competition and this contributed a lot to Dubai’s success in terms of the ability to perform and become creative in achieving the economic objectives and the vision of Dubai.” (GO13)

Most participants regarded favourably the competition among the GREs; for example, one of the bankers stated that competition created a ‘very vibrant’ and ‘very dynamic atmosphere’ for businesses and people. Another interviewee from the private sector said,

“Companies were made specifically to compete with each other. In my opinion the vision was achieved by making them compete with each other.” (PS8)

This view was supported by another interviewee, who added,

“Dubai wanted to enable competition, enable progress; therefore you can’t overburden the companies with central governance. The Dubai model was very
ambitious, very aggressive, nothing was too big, people were encouraged to take risks, and the result of that is the progress that you see today.” (PS12)

The competition among the GREs that was encouraged by the government is usually found among private corporations, illustrating the appropriateness of considering managerialism literature for the case of Dubai. As explained in chapter 2, competitive cities are concerned with state intervention as a key factor in their economic transformation and growth (Cerny, 1997). The concept and practice of competition was present, and further encouraged by the government before the global financial crisis. This will be critically examined in chapter 8.

Although most of the interviewees viewed competition positively and regarded it as healthy, as it resulted in delivering landmark economic and real estate projects, some of them also noted its drawbacks. One of the bankers commented that “there was competition without an overarching understanding of what the sum of all these parts will be on a very macro level” (BA14). Another interviewee added that although the ruler of Dubai was overseeing all the GREs, the heads of companies were not sitting together to discuss and view all the projects as a whole, so “the coordination mechanism beneath was not there” (GO3). Most interviewees agreed that the competition was positive at the beginning, but then it became unhealthy in the real estate sector in particular, resulting in oversupply of properties; this will be discussed in chapter 8.

Some of the interviewees stated that the competition among the GREs was accompanied by a duplication of financial and human resources. However, most acknowledged that government-promoted competition raised projects’ productivity and increased innovation. Most believed that the global, as well as the local, market was different before the global financial crisis of 2007: the opportunities were there and each company had a specific business mandate:

“Maybe there was duplication, but it was a positive duplication that created not only competition but also and, most importantly, variety for investors and people. It took advantage of the global boom period by completing everything at a high fast pace, since each team had to focus on a specific project; hence, more projects were completed simultaneously rather than one at a time.” (BA4)

The interview findings revealed that the government’s encouragement of competition among the GREs shaped Dubai’s economic landscape; these findings are supported by Veitor (2007), Sunley, 2000 and Sheppard (2000b), who found that competition is a power discourse that influences the economic landscape and the spatial organisation of any given city which aims to promote competitive advantage to achieve development and growth in productivity. Almost all participants asserted that the intentional decentralised organisational structure of the GREs was in line with the government’s vision and objectives, and served Dubai for the period prior to the financial crisis because it encouraged competition, endorsed proactive initiatives and
entrepreneurial capacity, and enabled fast decision making and execution of projects by avoiding the rigidity and inefficiency of bureaucratic structures. Note that these GREs were initiated by the government and received preliminary support in terms of initial capital and free-granted lands, with specific mandates that served ultimately the urban and development plans of the emirate, including advancing tourism, finance, information technology and other sectors. However, they were established as commercial enterprises and legal entities independent of the government, with autonomy to manage their operations and take decisions based on commercial terms and free market principles. This can be viewed as a response by the government to the globalisation that urged it to become enterprising in its approach and practices. Nevertheless, the majority of interviewees stated that the decentralised structure was not sustainable in the long term, as greater coordination and corporate governance over the GREs has been required since the outbreak of the financial crisis. One informed interviewee said that the organisational structure was moving to a more centralised structure:

“The Executive Council was established to improve coordination. Within TEC there are committees: economic committee, social committee, infrastructure committee, health and safety committee, and they meet on a regular basis; their plans are coordinated, their strategies are developed together, and we have been working on this since 2005.” (GO5)

Another government official conceded that the Dubai Strategic Plan 2015, launched in 2007, aims to collect everything within a single framework to make sure that there is adequate alignment to achieve the emirate’s objectives. A senior banker commented that before the financial crisis, the term corporate governance was barely familiar in Dubai. This observation was repeated by the majority of interviewees, who mentioned that the main issue in the Dubai model before the crisis was that the governance over the GREs was decentralised. Nevertheless, it was noted that in 2006 the government established Hawkamah which is an institute of corporate governance that cooperates with international bodies such as the Organisation for Economic Co-operation and Development (OECD) at DIFC in order to endorse good governance standards in both public and private sectors in the UAE and throughout the region (Hawkamah, 2013).

The majority of interviewees stated that conditions before the global financial crisis was different from those after it; one of the government officials said that the astronomical growth that Dubai witnessed could have not been managed with a tight grip and controls, hence there should be a ‘balance’. Similarly, another interviewee emphasised,

“The conditions before the crisis in Dubai required a particular style of management in terms of fast decision-making and flexibility, and this differentiated Dubai.” (BA4)
It can be argued from the interview findings that there was less central control over the GREs before the global financial crisis; however, more governance and coordination have been required since the crisis in order to have more control over the GREs in their delivery of the emirate’s objectives and development plans. Additionally, the majority of the interviewees stressed the need for coordinating the operations of the GREs, rather than imposing rigid control. One of the government officials explained that the word centralisation has a negative connotation around bureaucracy, and what is needed is more alignment of the objectives and performance of the GREs under one setup; he added,

“The government needs to coordinate while maintaining minimal intervention. We don’t want to kill the entrepreneurial spirit of Dubai but we want to coordinate it and facilitate it.” (GO9)

The majority of the research participants considered the experience of Dubai as a learning curve that the economy had to go through to reach maturity. One of the interviewees articulated this view in the following illustrative analogy,

“Dubai is like my 14-year old son: full of ambition, enthusiasm, energy, forward looking, while other older economies are like an elder grandfather who is heavy, slower, takes longer time to think. Imagine if my young son acted like my grandfather and if my grandfather acted like my son, don’t you think it would be weird. This is the difference, our economy is a 14-year old boy.” (GO8)

In conclusion of this section, the interview findings with regards to government encouragement for the GREs to compete with each other, and their decentralised governance before the financial crisis, further support the argument that the emirate was run as a company and that its management style was corporate-driven. This is because the notion of competition and decentralisation are managerial practices associated with private corporations. The corporate-driven nature of governance in Dubai was remarked on by most interviewees, and is consistent with Schmid’s (2009) opinion, that corporate-driven governance is considered as a feature that defines Dubai as an entrepreneurial city, and is reflected in its economic development.

7.4 Conclusion

The analysis of the interview data reveals common agreement among most participants on the narrated vision of Dubai, which was to become a global city and a premier centre in the region for trade, services and tourism by providing advanced infrastructure and services to attract regional and international business. It appears from the findings that this narrated vision of Dubai is a blend of a global cities narrative and a corporate narrative that emphasises the notion of excellence, competitiveness and creativity; this was demonstrated by the narrated vision
expressed by the ruler and acknowledged by almost all interviewees. It was also noted that, in addition to the common consensus among interviewees on the narrated vision, most expressed their confidence in the vision for several reasons. First, they saw that the narrated vision was translated on the ground into business facilities and projects benefiting individual and corporate investors. Secondly, they acknowledged the presence, commitment and direct involvement of the emirate’s political leadership and the government’s intervention not only in drawing up the vision and plans, but also in driving and closely supervising the economic growth and the developmental plans. Thirdly, it appears that the interviewees’ observed confidence stems also from their recognition and understanding of the emirate’s historical reputation and proven track record of delivering on their announced projects.

This chapter also reveals a consensus among the interviewees with regard to the importance and value of the development initiatives discussed earlier. Almost all acknowledged the value of the specialised free zones in providing platforms to attract international companies in different industries. They nevertheless emphasised the importance of continuous monitoring of the performance of the free zones, to measure the value of each to the economy of the city-state. They also stressed that reaping the fruits of these initiatives requires focus and attention from the government, especially in addressing the challenges of the education system and a ‘re-examination of the roadmap’ in light of the challenges that the global financial crisis imposed.

All the interviewees agreed on the importance of government-initiated festivals, events and exhibitions, not only to brand and promote the emirate, but also to improve its attractiveness and the quality of life of its population. With regard to the governance of Dubai, the interview findings presented it as a hybrid between traditional government and modern corporate practices based on the decentralised organisational structure of the GREs. This encouraged, competition, proactive management and fast decision making, avoiding rigidity and bureaucracy, which benefited Dubai until the outbreak of the financial crisis; after 2007, the need for a centralised structure and more alignment and coordination among the GREs was recommended.

It also emerged from the interviews that the initiatives in Dubai were largely driven by the political leadership and the government, supporting the assertion of Clarke and Gaile (1998), Parkinson and Harding (1995) and Le Gales and Harding (1998) that the capacity to pursue entrepreneurial strategies and innovative urban projects depends on strong political leadership. Similarly, the value of these initiatives signals that the government was able to engage the various economic stakeholders in their strategies. This supports Jessop and Sum (2000), who noted that pursuing entrepreneurial strategies requires engaging not only the government actors, but also acquiring support from the broader city stakeholders; they identified three features of entrepreneurial cities: the pursuit of innovative strategies to enhance economic competitiveness and create conditions conducive to capital accumulation; the explicit
formulation and active pursuit of these strategies; and active marketing of their cities. These features are clearly illustrated in the Dubai case study, adding the account of Dubai as an entrepreneurial city in the Middle East to the literature that to date has focused on Western cities.

Finally, this chapter proposed the Dubai case study as a valid example to support Callon (1998), Scott (2000a), Du Gay and Pryke (2002), Amin and Thrift (2007), and Pryke and Du Gay (2007), that narratives have an influence on shaping the character of a given economy. According to the methodological approach of narratives and performance adopted for this study, as explained in chapter 2, this chapter discussed the findings on two fronts: the narratives and the initiatives. It concluded that the initiatives were established to translate the government-narrated vision into reality on the ground. Hence, it can be argued, based on these findings that the initiatives were not only in line with the government’s narrated vision, but they also endorsed the narrated vision and made it more believable.
CHAPTER 8  EMPIRICAL AND ANALYTICAL RESEARCH FINDINGS ON DUBAI’S ECONOMIC PERFORMANCE AND DEVELOPMENT MODEL

8.1 Introduction

This chapter continues the analysis of the findings from the 46 in-depth elite interviews described in chapter 3. In line with the methodological approach of narratives and performance and the theoretical framework of the multidisciplinary literature (discussed in chapter 2), the previous chapter discussed the findings covering Dubai’s narratives and development initiatives in response to the first two components of the first research question. This chapter analyses the economic performance of the emirate and assesses the Dubai model by triangulating the research participants’ views in response to the interview guides presented in Appendix B, C and D. Specifically, the aim of this chapter is to critically answer the following research questions:

a) How do the elements of Dubai’s narratives, development initiatives and actual economic performance interact in the environment of financialized capitalism?

b) How robust and sustainable is the Dubai model of economic development?

The chapter is divided into three sections. Section 8.2 discusses the emirate’s economic performance prior to the outbreak of the global financial crisis; note that the year 2008 has been taken as the dividing line between the period before and after the financial crisis, since that year witnessed the peak of the emirate’s economic boom. Section 8.3 explains the effects of the global financial crisis on the economy of Dubai. Section 8.4 assesses in-depth the Dubai model of economic development prior to and in the light of the global financial crisis. Note that the codes used in the previous chapter have again been assigned to the quotations: GO, BA and PS for government officials, bankers and representatives of the private non-financial sector. The full code list is given in Appendix H. Section 8.5 offers closing remarks and summarises the outcomes.

8.2 Dubai’s Economic Performance

8.2.1 Gross Domestic Product

As explained in chapters 5 and 7, Dubai’s government recognised the need to look for new sources of revenue through diversifying its economy and encouraging other non-oil related sectors, given that the emirate’s oil reserves are limited (Davidson 2008). Hence, from the
1970s on, the government took economic initiatives aimed at developing the commercial infrastructure and manufacturing industry, such as Rashid Port, Jebel Ali Port, Jebel Ali Free Zone, Dubai Aluminum Company (Dubal) and Dubai Cables Company (Ducab) (Davidson, 2008; Sampler and Eigner, 2008). However, by 2008 the manufacturing sector still accounted for only 14 per cent of GDP. When asked why the government had not expanded its manufacturing sector, the majority of interviewees responded that it was not economically viable, as manufacturing is heavily energy reliant and Dubai does not have enough oil or gas to develop the manufacturing sector. One interviewee commented,

“During the 70s and 80s everyone thought that manufacturing was the solution, and what Dubai did at that time was part of a worldwide trend. But we realised that heavy industry was not the future for Dubai, which is why we went for services, tourism and financial services.” (GO11)

It appears that the government of Dubai was observing the changes in global economic trends in the Western industrial economies, which was reflected in their planning for the economy. As mentioned in chapter 2, Castells (1996, 1997, 1998), Lash and Urry (1987, 1994), Zukin (1991), Thorns (2002) and Abrahamson (2004) noted the decline of manufacturing industry and the emergence of a new engine for wealth generation and growth in the post-industrial economies, centred around service-related sectors: information, financial services, recreation and tourism.

Nevertheless, it was acknowledged by several interviewees that the government’s investment in the manufacturing sector was an attempt to diversify the economy; one informed interviewee explained,

“They were aiming to diversify the economy at that time and they thought of industries. They built the Dubal plant which is a very heavy energy-consuming industry. Today we have an issue with securing energy for our plants. If we were to plan things today, knowing what we now know in terms of SWOT, we would not build Dubal because we have an issue with energy. They planned Dubal because they did not know that the city would grow the way it is today. Today, the limited energy supply is not enough to service the growth of the city and heavy industries at the same time.” (GO2)

Moreover, several interviewees affirmed that manufacturing industry requires importing raw materials, energy and labour, which was not in the best interest of Dubai. One of the government officials stated,
“I worked in Dubal for 8 years, I know the story very well, energy became an issue especially for heavy industries. That is why we moved toward service-based sectors, tourism, financial services, trade, transport and so on.” (GO10)

This explains the joint venture between Dubal and the government of Abu Dhabi that resulted in forming Emirates Aluminium (EMAL) in 2007. Additionally, an interesting comment was made by one of the interviewees, who said,

“What’s important is developing industries that do have a positive spill-over effect on the economy. Financial services and tourism are industries that hire and attract a highly skilled labour force. Hence these sectors add greater value and have a positive effect on the economy.” (BA5)

Another interesting comment was expressed by one of the government officials,

“Investment in manufacturing and industries requires a particular type of business mentality. The direction was to look for investments that involve a fast cycle and quick turnover of capital, so this mentality was dominant to a certain extent. Also, less attention to the manufacturing sector was due to the desire of investing in unconventional sectors such as services and real estate.” (GO6)

Based on the interview responses, it was observed by the researcher that the government’s economic and investment decisions tend to behave like corporate decisions, with a preference for short- to medium-term results and an interest in higher returns, signalling the dominance of financialized management over Dubai’s government practices in their planning and management of the economy. This government behaviour is consistent with claims in the literature (Thorns, 2002; Abrahamson, 2004; Sassen, 2006) that in today’s financialized capitalism, the financial and information services generate wealth and super-profits over industrial and manufacturing services; similarly, foreign capital and multinational corporations target the commercial and financial sectors when they flow into a particular city. This concurs with Harvey (2010), who found that today’s capitalist economy is strongly characterised by accelerated speed of capital circulation through service industries, including entertainment, insurance and financial services, where faster circulation of capital pays off in higher profits. Note that service industries rely on large number of unskilled labours and in the context of Dubai, that has large proportion of expatriate in its workforce, the issue of social aspects would be appropriate to consider; it would be mentioned at the end of this chapter as an integral part of studying the Dubai case study as it was not raised in the context of the interviews.

Furthermore, the interview findings support the financialization literature (Fligstein, 1990; Lazonick and O’Sullivan, 2000; Erturk et al., 2008), which explains that short-termism dominates
corporate decision making and investment strategies; investments in financialized economies are inclined to be both short-term oriented and have a focus on achieving higher returns. Dubai’s plan to become a service-based rather than an industry-based economy was recognized by all the interviewees; this was reflected in the GDP performance and its sectoral composition, as explained in chapter 5. With this finding in mind, and in the context of the literature of cultural economy, it could be argued that the government was circulating narratives around services because it was better able to attract capital into the emirate in a financialized global economy. This urges the researcher to argue that maintaining the economy and capital flows needs a narrative framework to operate, which is not covered in the globalisation literature on cities. Hence, the cultural economy literature sheds a new perspective on explaining the economic landscape of cities, supported by the analysis of the Dubai case study.

Dubai’s plan to diversify its economy into non-oil sectors, mainly service-related industries, resulted in a GDP that was, by the peak of economic growth in 2008, more dependent on trade, tourism and hospitality, real estate and construction, and financial services. Hence, 2008 is considered as a watershed by the researcher, for the purpose of analysis and assessment of effects on the economy. As mentioned in chapter 5, the GDP sectoral composition in 2008 was as follows: wholesale, retail trade and repair services accounted for 29.3 per cent, real estate for 17.6 per cent, construction 13.7 per cent, logistics in terms of transport, storage and communication 12.1 per cent, manufacturing 11.3 per cent, and financial services 11 per cent.

When asked whether the economic performance of the city-state was intentional and planned by the government or market-driven, the interviewees had to address and comment on each sector independently in order to form a more informative view. The diversification of the economy was planned as agreed by almost all the research participants. The majority also agreed that the economic performance was intentional and planned by the government, with the exception of the real estate sector which was perceived as being planned initially but which eventually became market driven. One interviewee commented,

“Nothing in Dubai was market driven, it was all planned. Whatever the performance of the GDP, it was all planned; the Dubai economic model is very much government-led.” (BA10)

Another informed interviewee explained in detail,

“The vision was to bring the contribution of oil and mining to a single digit; by 2005 we brought it to 5 per cent; this was the first piece which was designed and planned. The second piece was trade, restaurants and hotels; in 1995 when Sheikh Mohammed became Crown Prince, he announced his tourism strategy: that by the year 2000, we would have 500,000 tourists to Dubai. The result was 12 million tourists. But it was the 1995 strategy that started everything, that started the
airport, Emirates Airline; so this was also designed and planned. Now in order for you to have the trade, restaurants and hotels, you need construction and real estate; this is the enabler; real estate is not just a building with flats and offices: a hospital is real estate, a warehouse is real estate, a hotel is real estate, a school is real estate, hence it was planned. The financial services happened because we believed that we could capture a market; there was nobody in the region, especially after Lebanon, that could be a hub, and that's why when DIFC was launched in 2003 it made a lot of sense; it was a new addition to the economy, it was planned and part of the overall strategy." (GO8)

According to the interview findings, the economic performance was intentional and planned by the government; one of the interviewees added that “the government policies had a very significant role in shaping the GDP pie” (BA3). Therefore, the GDP performance was based on the government’s policies and initiatives to grow certain sectors: the financial services sector by establishing DIFC; the ICT sector by building DIC and DMC; and the tourism sector by establishing many festivals and events, as explained in chapters 5 and 7. Nevertheless, the researcher observed that the logistics contribution to the GDP in 2008 was small, considering the government’s emphasis on positioning Dubai as a regional hub for logistic services. Hence, it seems that there is a gap between planning and actual performance, with regards to the logistics sector. Also, with the absence of access to government documents, it would be difficult to investigate whether those plans included the social implications of importing the large expat workforce to participate in the development of the city-state.

Additionally, issues relevant to the GDP performance were raised by several interviewees. The first issue is that the real estate sector witnessed abnormal growth, which was reflected in its huge contribution to the GDP in 2008, 17.6 per cent; the real estate sector will be discussed in detail in the next section. Although this sector was initially planned, as the government established GREs to build many real estate projects, it eventually became investment and speculation-driven rather than based on actual needs and demands; this, too, will be discussed in the next section. One of the interviewees remarked,

“The idea was to create a balanced economy that is a sustainable model for the long term. In 2008, of course, there was too much bias towards real estate.” (GO10)

This comment was supported by another research participant, who pointed out,

“The real estate was planned but the boom that happened was a global boom, the whole world was experiencing abnormal growth. Real estate should be a feeder, but at that time real estate was the leader.” (GO4)
The second issue raised by one of the participants was the nature of the GDP’s composition, mainly based on service sectors; he argued,

“The problem is that 80 per cent of the GDP is from service-based sectors. The service-related sectors are usually more volatile economically speaking and more affected by world economic changes. Hence, the economy will be affected by changes in the global economies. Although there is no economy that does not get affected, think about the level and the intensity of the effect.” (GO6)

Hence, the two issues raised can lead to a third key issue, which is managing and controlling economic growth; this should be addressed, and not only the planning phase. This was the case with the real estate sector, that lacked visibility in comparison with the rest of the GDP sectors; one interviewee said,

“It was not suddenly that people wanted to buy property. Dubai and the officials here intended to develop real estate; they knew where they were starting from, but they did not know how far they would go. I would say there was more visibility with the other sectors.” (PS5)

The fourth issue, addressed by one of the participants, is the nature of the city-state planning itself, described as short-term planning:

“There was no process for long-term planning. The Dubai strategic plan 2015 was an attempt, but still it was a very short plan, considering the economy of a city; I think the process of strategic planning should be over a longer time, and it should be monitored, assessed and amended every year. A city cannot survive based on planning for the short term, 5 to 6 years ahead.” (GO2)

**8.2.2 Real Estate Sector**

It was acknowledged by all the participants that real estate and construction, which contributed 31.3 per cent of Dubai’s GDP in 2008, had witnessed a remarkable boom from the early 2000s to 2008. When asked about the reasons for the massive boom in this sector, the interviewees highlighted a combination of factors that led to the real estate phenomenon. Most remarked that the boom started out with a fundamentally justifiable demand, one of the interviewees said,

“Dubai, like the rest of the region, was short of decent quality real estate; simply there was not enough real estate in Dubai to meet the current and potential demand.” (BA7)
Another interviewee added,

“There was a genuine demand; the new workforce and the population were increasing at 2-3 per cent a year, the type of labour that was coming was becoming more sophisticated, and there was not enough supply.” (PS7)

Some interviewees conceded that the real estate phenomenon started because of the ruler’s vision to put Dubai on the world map and attract investment, which resulted in launching new projects to attract specialised companies into the DIC, DMC and DIFC, with a new workforce. One of the interviewees commented,

“The boom on real estate was a result of the economic growth. Human capital came from abroad and needed to find accommodation, and many came to Dubai to work, invest and open their businesses and offices. All these created a demand for real estate.” (GO11)

At the same time, several interviewees explained that Dubai had to provide the lifestyle and basic elements of residential properties, schools, medical facilities and entertainment in order to be able to attract talented and sophisticated human capital. The majority of the interviewees identified that the growth in real estate was greatly accelerated early in 2000, when the government announced the legalisation for 100 per cent foreign ownership of property, under which expatriates are allowed to buy and own residential and commercial properties in Dubai. One interviewee noted,

“The real estate ownership was originally limited to GCC nationals; things took off when the government allowed foreign ownership.” (GO15)

Another research participant stated,

“This opened the door for expatriates to own something, especially those who had been living here for generations; everybody was dreaming of living in Dubai.” (PS4)

Although the real estate boom started with the justifiable demand mentioned by the majority of interviewees, it turned into oversupply of properties offered by local and international developers, coupled with unprecedented price inflation. One of the interviewees remarked that “Dubai was in a high growth phase and it required urban evolution, but not in such volume” (GO6). Another interviewee argued,
“The boom was completely justified, there was a very large inflow of professional workforce and not enough houses for the growing population, and that triggered the massive construction boom. But what started out as a fundamentally justifiable boom turned into a bubble.” (BA10)

Based on the interview findings, it appears that the real estate boom in Dubai was a multifaceted phenomenon because there were many interactive factors that fuelled its massive growth, which have to be highlighted to explain the context within which the phenomenon occurred. The contributory factors as explained by the research participants were:

First was the availability of high liquidity and money surpluses in the region, for geo-political and other reasons. One interviewee explained,

“The price of oil increased due to geo-political factors in the region and the world, the invasion of Iraq, problems in the Middle East, and the oil producing countries’ desire to maintain the price of oil at a certain level. So, the price increased to reach US $100-120 per barrel. In order for the banks to give interest, they had to invest because the money from oil was being deposited every day. Banks started to lend to people with insufficient attention to their ability to repay. Hence, they were lending to both real estate developers and property buyers. Banks used to give easy money and loans to both parties.” (PS6)

Another research participant concurred,

“We were in a region where there was a lot of liquidity; post-September 11 there was a lot of Arab money that was repatriated back from the US, oil prices were at very high levels, we had surpluses. There was a lot of money going around at a time when the West was seeing some sort of recession after the Internet recession of 2001, while this part of the world was booming.” (GO9)

These findings are consistent with the financialization literature (Boyer, 2000; Erturk et al., 2008; Marazzi, 2010; Fumagalli, 2010; Vercellone, 2010; Lucarelli, 2010; Chicchi, 2010; Paulre, 2010; Fumagalli and Mezzadra, 2010), which explains that financialized capitalism is combined with uncertainty and risks of asset price bubble bursts, as observed in the dot.com bubble of 2000 and the later emergence of real estate, globally as well as in Dubai. Also, based on the interview findings, regional politics and commodity prices had an influence on the development of Dubai, which resulted in an inflow of capital into the Dubai real estate market since it was viewed as an asset class that generated high returns. This resulted in strong speculation, and the bursting of the real estate bubble by the end of 2008, as explained in chapter 5.

Second was the monetary policy environment in the UAE, where banks were paying a 5 per cent rate of interest while inflation was running at 15 per cent. In that kind of environment people preferred to put their money into real estate as an asset, in order to conserve the value
of their money. Hence, the monetary environment led to an appetite for real estate, as argued by some of the interviewees from the financial institutions:

“It would have been better if we had a monetary policy environment that reflected our own domestic economy rather than the economy of the United States of America. The UAE interest rate is pegged to the US dollar, and as a consequence, rates here are set by the US federal system rather than the UAE Central Bank; we had a two-year period where economic growth was very strong, yet the interest rate was heavily negative, and if I had a 100 dirham and I wanted to maintain its value, if I gave it to the bank it wouldn’t keep track with inflation, so people had to find other ways to conserve its value, that set a dynamic that led to very heavy investment in real estate. It happened around the globe, at various times, it happened in emerging markets, and developed markets; it was a monetary phenomenon, it is about monetary policy, it is not just about real estate regulations and nasty speculators.” (BA7)

Third, easy credit and low-cost money provided by local and international banks encouraged people to buy property and stimulated investors’ appetite; money was easily and cheaply available because they could get mortgages of 80-90 per cent. One of the interviewees said,

“We as bankers also contributed to building this hype and excitement for real estate by providing almost free money to people; we as bankers got carried away and we didn’t do our homework, our assumptions were wrong. It was the banks’ mistake that provided the mortgage and the loans.” (BA13)

Fourth, the revolution in the real estate market was attributed to the introduction of new real estate practices initiated and supported by the government of Dubai through the establishment of GREs and real estate developers such as Emaar, Nakheel and Dubai Holding, as explained in chapter 5. One of the research participants commented,

“Before the year 2000, the real estate sector was a very traditional sector: there was nothing called ‘a master real estate developer’, there was nothing called ‘a gated community’, and there was nothing called ‘freehold for expatriates’; these are new terms that came into our market.” (GO16)

These new real estate practices encouraged the property market to grow, especially with the ‘off-plan selling’ method that was widely practised: the real estate developer could sell the property to a potential buyer for 10 per cent down payment while the building was still on paper. One interviewee noted,
“It is the facilities that the developers gave to the investors in terms of flexible payment plans, you pay only 10 per cent down payment, and you can buy off-plan. These facilities encouraged people to buy. The other thing that encouraged people was the ease of conducting real estate transactions; if you want to register your property, your transaction will be completed in 20 minutes.” (GO4)

Fifth, it appears that the return on investment (ROI) in the Dubai real estate market was very high and sufficiently attractive to encourage people to invest in buying property. Hence the quick return was seen as an investment opportunity. One of the research participants pointed out,

“The ROI was very high. The national bonds in the US were giving you 3-4 per cent return, while the ROI on Dubai’s real estate used to generate 12-15 per cent overnight, with minimum risk and maximum return; this is the golden formula for any entrepreneur.” (PS5)

Sixth, the majority of interviewees attributed the real estate boom to the supply and demand mechanism; although there was genuine demand for residential and commercial properties in the beginning, the demand turned into speculation. At the same time the real estate developers, both national and international, were launching many projects that ended in oversupplying the market. One interviewee stated,

“Without the speculators the developers could not produce and without the launch of new projects there would be no speculators. So, the real estate developers and the speculators were feeding each other.” (PS2)

As explained in chapter 7, the political leadership and the government were encouraging competition among the GREs to stimulate them to produce iconic and creatively designed property projects. As a result, one of the participants mentioned that each company wanted “to establish a landmark, do something different and create a unique selling proposition” (GO12). Moreover, the high demand motivated companies to compete in the market. One of the interviewees argued,

“The introduction of new projects and the competition were due to demand; the demand was there, whether they were users or speculators, the developers were getting the demand.” (PS14)

Other interviewees stated that without this competition, Dubai would not have had the iconic projects and landmarks that could put the emirate on the world map. A research participant added,
“Dubai really wouldn’t be Dubai if it didn’t have The Palm, Burj Khalifa, and Burj Al Arab. Some of these projects may not be financially justifiable in themselves, you may have more economically viable alternatives, but these projects make Dubai what Dubai is today.” (BA10)

Based on the interview findings, it appears that the government encouraged the building of iconic projects as they served as branding and marketing tools that could attract tourists as well as assist in positioning the emirate on the global property and tourism map. This is in agreement with Fretter (1993) and Crilley (1993), who found that place marketing contributes to guiding the development of the place in a desired fashion, not only by advertisement activities but also by marketing the urban projects, as there is no better advert for cities than their own landscape.

Seventh, although it was acknowledged by many participants that all the GREs were servicing the vision of Dubai in terms of advancing the urban development, building the lifestyle and putting the emirate on the world map, it was noted that there was unmanaged competition, lack of coordination at a macro level and the absence of a clearly agreed plan among the GREs. One interviewee indicated that “each company started to build and sell as per its own view” (GO1), which contributed to oversupplying the market with properties. Another interviewee affirmed,

“There was no prior agreement on the volume of real estate and property expansion, and this was a gap. For example we could have planned to have 1 million residential units as an objective, and accordingly we could coordinate and plan how to achieve it, but no such ceiling was set. This was the main issue, that the urban development was not in accordance with a plan.” (GO6)

Eighth was the absence of real estate rules and legislation to regulate the property market and mitigate the speculation fever. One interviewee noted,

“There was no authority responsible for regulating the property market. The Real Estate Regulatory Agency (RERA) was established late, in 2007. Although the Dubai Land Department had been there since the 60s, it was in charge only of registering the lands.” (GO4)

Another interviewee elaborated,

“The role of the government was more supportive and less regulatory. What we need is to continue to be supportive, but within a regulatory framework to ensure the sustainability of the growth.” (GO9)
When asked why there was no earlier government intervention to regulate the market and stop the speculation, several causes were identified by the participants. First, the majority responded that the Dubai real estate market was a young immature market. One interviewee commented,

“The real estate market was young and there was no experience; actually there was no similar experience in the world where within a very short time you have a city that grew like Dubai.” (PS1)

Secondly, the pace of development was so fast that the regulations could not keep up with it; one interviewee pointed out,

“Things happened at a very fast pace; the growth of the real estate, the demand and the speculations were faster than putting the legislation in place.” (GO7)

Given the financialization literature, the world economy has a tendency to form asset bubbles. In this regard, the development pace of the city-state should have been indicated that something was not going right and hence the sustainability should have been raised in that context.

Thirdly, there was the need for a more mature policy environment; as one of the interviewees argued,

“The decisions are made by the ruler and anyone having access to the ruler can influence those decisions. It was clear that there was an issue in the real estate market; although the heads of GREs did not sit in government, they had an impact on government policies. We didn’t have a mature policy environment.” (GO9)

Fourthly, it was acknowledged by many research participants that the real estate boom phase was in everybody’s interest: individuals, local and international developers, banks and financial institutions, as well as the government. One interviewee said,

“When things are going in the right direction and everybody is making money, I think the authorities would find it difficult to cut the process; a lot of people were making money, so it was in everyone’s interest.” (BA3)

From a government perspective, as explained in chapter 5, the government had a share in these GREs and these companies were showing results and generating profits that were injected into building the next project for the emirate. Also, the real estate sector was driving much of the economy, as remarked by one of the interviewees,
“The real estate sector activated many sectors; the tourism and transport sectors benefited from the real estate sector, and all the sectors became connected and were influencing each other.” (BA4)

Moreover, Dubai was promoting itself as a place for the entrepreneurial and business minded, hence,

“It did not want to appear to be policing how people do business; there was this atmosphere of openness and enabling people to excel and do business.” (PS3)

The ninth factor that contributed to the real estate market boom was that human nature and psychology played a part. In other words, although all the participants, including the government officials, acknowledged that there was an issue with the real estate market, as one of the interviewees said, “it is the nature of human beings in the booming and growth time, they don’t want to question” (PS13). Another interviewee added that, “sometimes success seduces us and it makes it difficult to believe that such success might end” (GO6).

8.2.3 Foreign Direct Investment

As mentioned in chapter 5, the government of Dubai encouraged FDI by developing non-oil sectors and service industries such as tourism, commerce, logistics, finance, real estate and construction (Suliman, 2006); FDI can be viewed as a reflection of the government’s plan for the emirate to become a service-based economy. As mentioned earlier, 2008 saw the peak of economic growth and hence was chosen by the researcher as the watershed between the periods before and after the global financial crisis. In 2008, 36.7 per cent of the FDI was in the financial services sector, 23.6 per cent was in real estate activities, 17.5 per cent was in wholesale and retail trade, and 15.4 per cent was in construction.

All the research participants believed that Dubai was able to attract foreign investment by its political stability, safety, advanced infrastructure, well-developed government facilities and services, friendly business environment and the specialised free zones. When asked whether the FDI performance of Dubai in 2008 was intentional and planned by the government or market-driven, the majority perceived it as a mixture of both, where the government intentionally targeted these sectors but market forces also played a role. Several interviewees, especially the government officials, stated that despite Dubai’s efforts to attract FDI, there was no clear plan or policy for directing it toward specific sectors; one interviewee said,

“Dubai was open to attract investors to come and invest in general; there was no clear plan to encourage and direct investment to certain sectors.” (GO11)
Nevertheless, there were genuine attempts to study and attract certain industries, for example the establishment of the Dubai Development and Investment Authority (DDIA) in 2002. Moreover, it was noted that the government had recently established the Dubai FDI office to further stimulate foreign investment (Dubai FDI, 2013a). One interviewee explained,

“When I was heading the DDIA from 2002 to 2006, we designed a plan to attract FDI and did thorough research that resulted in identifying two industries to focus on: healthcare, and entertainment and leisure, hence the launch of DHCC and Dubai Land.” (GO8)

Most participants, especially the bankers, affirmed that the financial services sector was intentional and planned, with the government’s establishment of the DIFC to focus on attracting international banks and financial institutions. Real estate and construction combined were also acknowledged as intentional and planned since the government was advancing the urban infrastructure of the emirate and the real estate was largely driven by the GREs. Nevertheless, the real estate sector was also market-driven due to the high ROI that this sector was generating. It is perhaps worth mentioning two issues that were pointed out by some of the interviewees with regard to FDI. First, the focus at that time was on the quantity of FDI, as opposed to its quality; one interviewee argued,

“There should be more focus on the quality of FDI. The UAE is the second largest receiver of FDI in the Arab region after Saudi Arabia, and if you exclude oil and the petrochemicals sector, the UAE is the largest receiver and Dubai is the heart of the UAE. The FDI should be assessed based on whether it contributes to creating more jobs; whether there is any knowledge transfer, or transfer of managerial skills and creative practices; this is what I mean by the quality of FDI.” (GO6)

In the context of cultural economy, it appears that like GDP growth, the amount of FDI is an important indicator of the performance of the narratives in today’s financialized capitalism. Like companies that focus on sales growth and share price increase, as explained in the financialization literature (e.g. Froud et al., 2006; Erturk et al., 2008), governments and economies are more concerned with competing to achieve high GDP and FDI growth than with maintaining sustainable economic growth. This observation is based on recognising that in 2008 a huge proportion (23.6 per cent) of FDI went into real estate activities, which is considered an enabling sector rather than being an economic sector on its own. This observation also supports the researcher’s claim (see section 8.2.2) that real estate in Dubai became an asset class that attracted capital inflow by its promise of high returns on investment.

The second issue agreed by the majority of interviewees is that the high returns in the real estate sector attracted FDI into Dubai; one interviewee noted that “the FDI is always looking for
return, and the market was giving good ROI, so the investment increased in the real estate sector” (GO4). It was noted that the growth in the real estate market in Dubai attracted foreign companies to establish their presence in Dubai, including engineering and architecture companies, property developers and activities related to the real estate sector. A research participant added,

“This indicates that the real estate didn’t only attract speculators, but most importantly attracted heavy investors who invested in real estate projects; so two types of investor were attracted, the speculators and the long-term genuine investors, and these investors do not come without studying the market, they do not just come without doing their homework, they do come based on numbers and indicators.” (BA4)

8.3 Effect of the Global Financial Crisis on Dubai

As explained in chapter 5, Dubai felt the impact of the global financial crisis of 2007, which revealed economic challenges to the emirate’s policymakers and raised concern about the reliability of the Dubai model of economic development. When asked how the impact of the global financial crisis on Dubai was perceived, the majority of the interviewees explained that there were multiple levels of impact. The first was the financial impact on the emirate whereby the crisis uncovered the accumulated debt and the inability of the GREs to meet their immediate financial obligations. The period prior to the crisis, that was characterised by the availability of international and local liquidity at a low borrowing cost, encouraged the GREs to borrow excessively to fuel their growth plans and their investment in real estate projects. Hence, when the global financial crisis hit, the credit market and funding dried up completely, both globally and locally, because banks stopped lending money. The highly leveraged GREs received a direct impact and became the main burden that the government of Dubai had to deal with; a government official stated,

“Dubai’s debt is clear, specific and reasonable, but the debt of the companies that are not guaranteed by the government was the big burden. In Dubai, it was the companies’ problem but the government took responsibility. Legally, the government could have said we are legally not obliged and the creditors should take this into account, but the government dealt with the creditors in a different way. This is because of the importance of the stakeholders, the banks and investors, to us. Also, the importance and the influence of these companies on the economy; a company like Dubai World has its value and weight in the economy of Dubai due to the diversification of its activities. Therefore, the government provided huge support for it and worked for two years with the banks until they agreed to reschedule the payments, and there was no bad debt whatsoever.” (GO7)
As mentioned in chapter 5, Dubai World’s total estimated liabilities constituted 26.8 per cent of Dubai’s total debt, compared with the Dubai government’s debt that comprised 22.3 per cent of the total debt. Moreover, Dubai World is a conglomerate that plays a major role in Dubai’s economy, because its value stems from the fact that it specialises in transport and logistics, dry docks and maritime management, and urban development. This conglomerate was contributing heavily to the logistics sector by running Dubai’s ports, Dubai Dry Dock and Jebel Ali Free Zone, as well as managing a portfolio of companies and projects for the government across a wide range of industries. Also, it is managing 65 marine terminals globally in the Middle East, Asia, Africa, Europe, South America and Australia (DP World, 2013b). As indicated in chapter 4, Dubai World includes DP World which had been a publicly listed company on the Dubai stock exchange since 2007 and on the London stock exchange since 2011, with 80 per cent of the shares owned by the government of Dubai. Therefore, and due to the value of this conglomerate to Dubai’s economy, it was in the government’s interest to intervene and assist Dubai World. This is why the government inherited the debt of Dubai World and its related companies, although it was not a sovereign debt. As explained in chapter 7, these GRES were established as commercial enterprises and legal entities independent of the government. However, based on the interview findings, it appears that the government’s intervention in assisting the GRES maintained the confidence of the creditors and investors.

The second impact was on specific economic sectors, especially tourism and real estate that had crashed by the end of 2008; one interviewee said,

“To a large extent Dubai was hit hard in two areas from which most of the FDI came, construction and real estate, and tourism, because they were driven by global supply and demand.” (G15)

The majority of the research participants affirmed that the major impact was on the real estate sector that had been inflated for the reasons discussed in section 8.2.2; one of the interviewees noted,

“There was a two-fold impact on Dubai because we had our own problem, the bubble in the real estate sector all of a sudden burst; it had a severe impact on real estate investors, and the prices of real estate went down by 50-60 per cent.” (G05)

Many research participants remarked that the great appetite for investment and the availability of liquidity, both individuals’ and investors’ own money and bank credit, that had fuelled the demand for real estate, shrank significantly. Thus, the collapse of this sector influenced other related sectors including the financial sector because large quantities of bank funds and mortgages had been given for residential units.
The third impact is that there was a direct hit on the investments of the GREs in the international markets, especially the USA and UK; although these investments were considered to diversify the investment portfolio of the companies, they lost their value as a result of the direct impact of the global financial crisis; one interviewee commented,

“During the boom period we invested in the developed economies; firms like Istithmar, Dubai International Capital, Dubai Group invested the revenues generated from the boom in the developed markets. They invested in stock exchanges, hotels and others. When the crisis hit, these investments lost their value and were underperforming." (G09)

This comment supports the researcher’s earlier observation on the dominance of the financialized nature of management in Dubai, which focused on seeking fast capital circulation that would generate high returns. These are common features of the present-day financialized capitalism (Fligstein, 1990; Lazonick and O’Sullivan, 2000; Erturk et al., 2008).

The fourth impact is that Dubai had to revisit and review its development plans, not only because of the debt challenge, as explained by many interviewees, but also because the world economy changed after the financial crisis. A government official stated,

“There is no problem or shame in re-examining our economic development strategy, we live in a different world now after the crisis, requiring new economic development plans.” (G05)

Nevertheless, many participants noted that although the financial crisis either delayed or put a halt to many projects, major projects such as the Metro and Burj Khalifa were opened as planned in 2009 and 2010 respectively. Also, it was remarked that the government did not stop its investment in the airport expansion and logistics projects; “long-term objectives will not change, which is establishing Dubai as a global city, a centre and a hub for the region” (G10). Interestingly, it was noted that the majority of the interviewees, especially those from the banking and private sectors, viewed the impact on Dubai positively as it forced the government to refocus and prioritise; one interviewee expressed this,

“It has had a positive impact; it made Dubai concentrate on what was originally planned in terms of what really counts from a service-based economy perspective.” (PS7)
Another participant added,

“The best thing that happened was that it forced the government to get out of this excesses mode, and step back and see what is important for the economy.” (BA5)

The fifth impact that interviewees highlighted was the short-term negative impact on Dubai’s reputation when Nakheel announced its inability to meet its financial obligations by the end of 2009; however, there was no long-term impact on the investors’ confidence in Dubai. One interviewee added that the impact on the emirate’s reputation was attributed to the extreme negative international media coverage, described by many as an ‘unjustifiable attack’; the perceived low level of transparency with regard to Nakheel’s standstill announcement; and the government’s passive communication toward the media. One interviewee, who heads an international media institution, explained,

“The biggest impact was more psychological than financial. The psychological impact was due to the exaggeration of the international press and media; the way they addressed Dubai was very negative, especially the British media; their attack was unjustifiable.” (PS5)

According to the cultural economy literature, sentiments and stories tend to change quickly; this was observed in the interviews with almost all the research participants, especially the bankers and financiers, who were very concerned when the Nakheel company announced its liabilities standstill in November 2009. However, the same financial institutions expressed positive sentiments and confidence in the government of Dubai and the economy in general. One of the interviewees stated,

“Markets have a very short-term memory; a year ago they were all very upset with Dubai because of the Dubai World standstill, but today nobody cares, because Dubai still has very attractive opportunities for investors. Also, Dubai is increasingly viewed as a safe haven in a very unstable region. When I go out and I speak to investors, Dubai once again is the most popular darling, So there was a short-term very negative impact but in the long term it is negligible.” (BA10)

Another research participant uttered,

“The reputation was damaged at first. They were mainly external factors that affected the reputation, with the international media talking and attacking; some of them were hunting and didn’t want to believe that the Dubai model could succeed. Today, the investors’ confidence is recovering, if not recovered. I am not saying
According to the theoretical approach to the study of narratives and performance that was explained in chapter 2, the narrated vision for the emirate of Dubai was translated into performance initiatives that were acknowledged by the research participants, as discussed in chapter 7. Consequently, based on the economic performance of the emirate described in chapter 5 and the interview findings presented earlier in this chapter, it appears that these government-led initiatives resulted in achieving positive economic performance and growth until 2009, when a negative growth in GDP of 2.7 per cent was experienced. Figure 30 illustrates the application of the theoretical narratives and performance approach to the Dubai case study.

8.4 Assessment of the Dubai Model of Economic Development

However, the global financial crisis of 2007 not only hit the economy of Dubai, but it also revealed the need to review and assess the functionality of the Dubai economic model and the government’s managerial practices, to remedy any discrepancies that should be considered the...
key focus for the policy makers. This section addresses the gaps and challenges that the Dubai economic model has encountered, based on the empirical interview findings and the analysis of economic performance. In effect, the following list of analytical interventions can provide inputs to assist the development of a sustainable economic model for Dubai. Hence, the sustainability of the Dubai model of economic development is subject to the government’s ability to pragmatically address and overcome these challenges.

a) Given the sectoral composition of Dubai’s GDP in 2008, the economy was diversified even during the hype of the real estate boom. Dubai’s strategy of economic diversification was acknowledged and appreciated by almost all the interviewees, who asserted that Dubai accordingly became the most diversified economy in the GCC, moving away from oil and gas. However, the period of rapid economic growth from the beginning of the millennium to 2008 witnessed unprecedented excessive growth of the property sector and in mega-real estate projects (residential, hotels, commercial and retail spaces) for the reasons explained in section 8.2.2. The mega-real estate projects include iconic landmarks such as the Palm Jumeirah and Burj Khalifa, that were creative in concept and created huge attractions for Dubai. Nevertheless, the downside is that the real estate sector was viewed as an economic activity in itself, while it should have been supporting the other economic sectors. One of the interviewees affirmed that “real estate should not be the leader; it should be the feeder and the enabler for the economic sectors” (GO4). The real estate’s massive development, carried out by the GREs as well as by private national and international investors to fulfil the genuine existing and the future anticipated demand, proved to be excessive and beyond what the market could absorb. Eventually, the symptoms of the imbalance between the demand and supply formula, where the latter exceeded the former, were not addressed until the real estate bubble burst in 2008. The expansion of the real estate sector should first have been planned in accordance with population planning and a holistic strategic plan at the city macro-level; and secondly, real estate has to be regulated by the government and should not be left to market forces. Hence, regulations and government policies should have been set and enforced by RERA, since the real estate sector played a major role and its crash had a significant effect on the performance of the economy. It is important that the government becomes concerned about asset price bubbles and bursts, and this appears to be consistent with comments by Fumagalli (2010), who noted that governments have to intervene in regulating the market, based on the acknowledgment of failure of the market’s capacity to regulate itself. Also, Erturk et al. (2008) explain in their studies of financialized markets that the concern of asset price bubbles and liquidity excess deficiency are policy-related problems.

b) The GREs were established and supported by the government to be independent private commercial companies. Although they were given autonomy to pursue their growth plans and investment decisions, whether in Dubai or abroad, there should have been oversight
and governance over them since they are conglomerates and their performance affects not only the economy of Dubai but also its reputation. One of the research participants stressed that “the companies require more governance of their plans to keep them in line with Dubai’s strategy and resources” (GO7). Hence, governance is needed to oversee performance, maintain accountability and ensure constant performance management and control, in order to measure and analyse the quality of performance on an on-going basis.

c) There is a need for more centralised authority to consolidate and streamline all the GREs’ plans to ensure that these are ultimately in line with Dubai’s strategic plan. Each conglomerate operates based on specific mandates and objectives due to the decentralised nature of management over the GREs, which enabled the companies to take prompt decisions, as defended by most of the research participants. However, the GREs’ projects and investment activities were not orchestrated, and hence there was excessive real estate supply, with overseas investment and dependence on debt as a strategy to fund their projects. Although the Dubai Strategic Plan 2015 that was announced in 2007 aimed to streamline the objectives, until then the GREs were operating and functioning without a holistic integrated plan. One interviewee commented on the debt accumulation of all the GREs and the need for consolidation and coordination to see the full picture and to sense when debts were becoming excessive; he emphasised,

“The issue is about the debt, there was a lot of debt, someone centrally should not have allowed the total level of debt to go beyond a certain percentage of the GDP.” (GO9)

d) One of the key issues was the total debts of the GREs opposed to that of the government, and whether these debts were guaranteed or not by the government. Although the borrowing was in a context where there was high liquidity locally and globally at a low cost for investors and individuals, the high leverage of the GREs overall was the main concern. This became a burden on the government when it inherited the companies’ liabilities in order to maintain the investors’ trust and confidence in the emirate’s economy, and to support the companies due to their value and contribution to the economy. Hence, there has to be consolidated financial management over the GREs as part of the suggested governance, and centralised management to oversee the companies’ financial strategies and control the amount of loans that they can take out, based on the feasibility of the projects and taking into consideration the accumulation of the debts of all the companies.

e) It appears that the debt financing strategy adopted by the GREs was mainly a mismatch by which long-term projects were financed by short-term loans. This is a key concern that requires reassessment of the financing strategy that were adopted by the GREs. Many research participants commented that, in principle, borrowing is an acceptable financial tool
for both companies and governments, and one interviewee stated that “the borrowing was high, but the borrowing was for the purpose of investment and not for consumption purpose” (BA4). This view was repeated by another interviewee who said “development fuelled by credit is fine as it is not borrowing to cover a deficit in meeting obligations” (PS6). However, it was the excess and the nature of the leverage that should have been centrally planned and controlled.

f) The GREs used to have investment arms that focused on overseas acquisitions and investments in different developed markets, industries, sectors and assets. Although the aim was to diversify their investment portfolio and reduce risk by investing in different markets, when the financial crisis hit, the international assets and the acquired businesses lost their value, which exposed Dubai to further, unanticipated risk. The concept of diversification by investing in foreign assets is nevertheless sound in principle, as repeated by many interviewees; one of the participants emphasised,

“Do not put all your eggs in one basket; they were investing overseas, they were trying to create another stream of revenue.” (BA6)

However, some of the investments were seen to be outside the competencies and core business of the companies. It was the context of the availability of high liquidity in the companies and in the capital markets that encouraged the companies to consider investment opportunities in the developed economies. Hence, more governance over the investment decision-making process has to be in place to ensure that each company is investing in its core business and to oversee and manage their total investments.

g) Dubai’s vision was clear for almost all the research participants, as explained in chapter 7; nevertheless, there should have been a consolidated written plan as a guide, including the GREs’ role in the development path of the city-state, which should be communicated clearly to the GREs to precisely define the expectations from each company, avoid any unnecessary overlap and prevent oversupplying the market especially when it comes to real estate development. One of the interviewees explained,

“The governance is one issue, but the bigger issue was that there were no clear agreed-upon goals; for example, if you talked to any of the GREs, one would say I want the population of Dubai to reach 3 million, another would say I will make the population reach 10 million. The objectives should be written down so all can be aware of them. I think at that time nothing was written for the companies, so it was all left to the companies to decide. The GREs should have all gathered and agreed where Dubai is going, what are the industries and economic sectors that we want.” (GO16)
Therefore, the GREs should not be left on their own, due to their major role in the economy and Dubai’s development and growth. Hence, the objectives and investment growth of the GREs should be aligned with Dubai’s strategic plan and the resources should be deployed in order to achieve commonly agreed goals that serve the economy.

h) The issue of comprehensive planning, managing and controlling the economic growth should be addressed. There is a need to establish an authority to focus on economic planning, with continuous monitoring of overall economic performance and of the interdependence and influences among the economic sectors. A holistic assessment is needed to judge every investment and every initiative in terms of its value and benefits to the economy. One of the interviewees mentioned,

“Dubai was lacking management and direction of its economic growth, to ensure more balance in the sectoral composition and the economic sectors.”

(GO6)

Many government officials affirmed the necessity of managing and controlling economic growth, especially with the mega-projects, because these projects will have social, cultural and economic implications. It is important to oversee the elements of the strategic plan from different angles and manage it holistically at a macro level, to enable the government to bring all the economic projects back together to see the overall bigger picture, and accordingly invest in the projects that are going to have a long-term impact. This requires greater coordination among all the sectors of the economy as well as continuous checking and reassessment against the economic development roadmap. One of the participants commented “Dubai has to target growth, but in a controlled fashion” (BA14), hence the need for a holistic management framework to ensure better control over economic performance and growth.

i) Building industry-clusters was a model adopted by the government in terms of establishing the specialised free zones. These and other initiatives played a major role in attracting international companies and a talented workforce to Dubai, as acknowledged by the majority of research participants, and explained in chapter 7. However, the pitfall is that some free zones were seduced by the profits that real estate generated during the boom phase, and hence deviated from their core mandate; one of the interviewees highlighted,

“Apart from JAFZA, DIC, DMC and DIFC, some free zones became real estate players and were not able to create industries even though they were able to attract a lot of companies to set up.” (GO9)
Hence, regular assessment should be conducted to measure and evaluate the performance of these initiatives against their objectives and ultimately the value that each industry-cluster contributes to the economy of Dubai and to its overall strategic plan.

j) Dubai’s economy is well integrated into the global economy and this integration has its pros and cons. Three economic pillars, trade, tourism and logistics services, constituted 44.7 per cent of Dubai’s GDP in 2008 (Dubai Statistics Centre, 2008). These are all service sectors whose condition and growth are strongly dependent on global economic conditions. Hence, any changes in the global economy will directly affect them, positively or negatively. This by itself was not an issue, but the addition of the new pillars that were intended to diversify the economy, real estate and financial services, meant that 73.3 per cent of the GDP in 2008 was coming from service sectors. Therefore, 73.3 per cent of Dubai’s GDP was more volatile economically speaking, and subject to changes in the global economy. Although these are dynamic sectors, the result is that the growth of the economy became more dependent on uncontrollable sectors, which is a major issue. It could be argued that Dubai benefited from its integration into the world economy, as it could attract capital, foreign investment and international companies as well as securing funds from international banks and financial institutions to finance its development plans. However, its economic performance became highly dependent on the global economy and international economic conditions. Hence, although Dubai was in control of shaping its economy in order to position itself to take advantage of global trends, it was not wholly in control of the performance of its economic sectors. Therefore, it is important that policy makers take this issue into consideration when planning and managing the economy and economic growth. Furthermore, the government has to support and encourage the establishment of more light industry and small to medium-sized industries that do not require a lot of natural resources. One of the interviewees affirmed that Dubai provides incentives to all industries alike, but that there should be an emphasis on having an economic policy and incentives to boost certain types; he added,

“This will enable the government to have a better control over the growth of each sector, and to be able to grow certain valuable sectors.” (GO6)

k) The recognition of the policy makers that the emirate has limited natural resources in terms of oil and gas made the government act to diversify the economy and ensure new sources of revenue. In 2008, oil contributed 2 per cent to the GDP, and revenue from government services contributed 3.8 per cent; the majority of the GDP was generated from trade, real estate, construction, financial services and logistics, which are all subject to changes in the global economy, as explained earlier. Hence, the viability of the Dubai model of economic development depends on its ability to generate a sustainable source of income and revenues not only to inject into the development process but also to secure a financial
source for government spending. Accordingly, careful planning for the sectoral composition is required. This is in addition to close attention that has to be given to the global variables and trends, since the health of Dubai's economy is interlinked with the health of the global economy. Moreover, in the context of reliance on expats as a majority of the workforce as discussed in chapter 6, there should be consideration for the social implications as it has to be part of the plan. Therefore, Dubai's sustainability should be studied and looked at from social dimensions besides the economic and managerial angles.

l) Generally, economically and fiscally there is a need for more fiscal planning and management to deploy and direct the government's resources where they have most impact. According to the 2011-2012 Arab World Competitiveness Report prepared by the World Economic Forum and covering 142 countries, the UAE ranked fifth globally with regards to government efficiency and the effectiveness of government spending (World Economic Forum, 2013). Nevertheless, constant monitoring of the efficiency of government spending is a key issue in maintaining economic development and growth, as urged by two of the government officials interviewed. This is due to recognition of the limited resources of the city-state. One of the interviewees suggested that “Dubai has to be selective in the coming phase when it comes to the projects, and where to direct its finances and resources” (BA4). It was noted that the Department of Finance in Dubai is playing this role and all the government departments are planned, budgeted and managed accordingly. However, the government investments should be monitored closely, and this was lacking due to the absence of governance over the GREs during the rapid growth phase. More fiscal planning and monitoring will ensure that the government's resources are efficiently utilised in the projects that serve the ultimate goals of the emirate.

m) The government policy of business and economic openness has resulted in attracting much foreign investment to Dubai, especially with the establishment of the specialised free zones that encouraged international firms to open their regional headquarters in the DIC, DMC and DIFC. In 2008, the FDI was US $ 21.6 billion, a 29 per cent increase from the previous year. It would be useful to compare the size of this figure against its quality in terms of the value added to the national economy. A mechanism is required to assess the value of the FDI in terms of how many jobs have been created, and whether knowledge or managerial skills and practices were transferred from the foreign companies to the local economy. One of the participants said that through the free zones the government of Dubai provided many incentives and facilities for investors, adding “but I think there should be more balance between what Dubai gives and what it should receive; the investors are taking from Dubai more than what Dubai takes” (GO6). Therefore, there is a need for policies and measurements to evaluate the quality of the FDI besides the quantity, in order to support economic planning and management.
n) As part of the government’s efforts to create a knowledge-based economy, there is a pressing need to invest in planning and developing the emirate’s national human capital and assess the overall education system in the UAE. The national learning curve should be the key focus as it is the backbone of the country and the real asset in the development process. It is not only the need to provide the population with education in order to make them qualified and employable in the competitive workplace environment of both private and government sectors, but also, and most importantly, it is to have a plan to direct the national human capital toward the specific requirements of the economy of Dubai. Many interviewees attributed the lack of R&D activities to the environment that is not conducive to these activities, especially with regard to the availability of technically specialised people. There has to be a strategy and plan to direct and incentivise young Emiratis to study, for example, finance and corporate commercial law in order to join the financial sector and hence contribute to delivering the objective of Dubai in becoming the region’s financial hub. Similarly, more incentives have to be given to encourage the study of medicine and engagement in medical research, hence contributing to building the status of Dubai as a health destination. Accordingly, the human resource as an output of the education system has to be planned according to the economy’s requirements, and ultimately to the long-term vision for the emirate.

o) Most participants were of the firm belief that there should be a focus on the emirate’s core sectors, trade, logistics and tourism being the traditional strengths of Dubai. Historically, this is what Dubai was known for, as many interviewees highlighted; however, this does not mean ignoring the other sectors. Diversification of the economy is important as a strategy, yet the emphasis has to be on constantly capitalising on the existing assets, to make them flourish and strengthen them further; for example much could be done in the tourism sector, such as new entertainments, exhibitions and events tourism, and medical tourism. A research participant mentioned that by focusing on tourism, more sectors would automatically grow with it. Hence, while more attention should be given to these three pillars, especially in the short to medium term, in the long term, as one of the interviewees stated, “Dubai being the Dubai that we want, there should be new initiatives” (BA6).

p) Generally, there has to be consistent management at the level of corporate communication and transparency with regard to economic updates with both the business community and the media in order to maintain and retain the investors’ confidence in the economy. Transparency and clear corporate communication was one of the issues that were raised during the crisis, particularly when Dubai World announced its liabilities standstill; many criticised the manner and timing of the announcement, which was followed by total silence on the company’s side. Given the enormous size of the company and the shock that the announcement made, the media asked the government for updates and clarification; one of the participants commented “the media started to mix up the debt of the companies and the
The debt of the government” (GO4). The lack of response at the beginning from both the company and the government allowed speculations and rumours that were articulated by the Western media to spread negative sentiment about the emirate’s economy. Therefore, there has to be a dedicated government spokesperson to handle the media and manage communication; a perceived level of transparency is necessary to gain the confidence of the international market. Furthermore, Dubai positions itself as a global player in the business community, and the level of transparency is dictated by this need. Accordingly, the government needs to constantly manage the perception of Dubai, as part of the economic model is the perception of the city-state in terms of its image and reputation.

q) It appears that the relationship between the government and the GREs is perceived as vague, especially among outsiders and the media in particular. This perceived ambiguity affected the level of transparency and investors’ confidence, especially with the debts of the GREs and the assumption of the creditors that there is an implied government guarantee supporting these companies in paying back their liabilities. The ICD is a sovereign fund and holds all the government investments, similar to Mubadala in Abu Dhabi and other sovereign holding companies in the GCC. Dubai World, looking after Dubai Ports, JAFZA, Nakheel and other diversified investments, is a private holding company. These conglomerates were established and supported by the government and were given autonomy and independence from the government to function as commercial legal entities. The aim of this model was to prevent government departments from being involved in commercial projects that would be outside their scope and role. Therefore, it would be beneficial to clarify the structure of the GREs and their relation to the government in order to maintain transparency and the investors’ confidence.

r) The research participants acknowledged that competition among the GREs resulted in creating varieties of products and options for customers in the market, as well as establishing iconic projects. Nevertheless, this was at the expense of the emirate’s limited resources. It could be argued that even though the competition among the GREs served Dubai in the period prior to the outbreak of the global financial crisis, more coordination among them is required in moving forward to rationally manage the emirate’s resources and align the companies’ goals and objectives with Dubai’s overall objectives.

s) The government managed through its economic initiatives and continuous efforts to develop the infrastructure and modernise all aspects of commercial and social life in the emirate, to position itself as an important commercial player in the region. Dubai has been described as a place to invest the wealth of the Gulf and the wider region and a safe haven, especially during the Arab Spring revolution (Kerr, 2012). The majority of the research participants stated that there was high liquidity in the region and in the global market and Dubai was viewed as a strong brand name that attracted investment. Hence,
the brand of Dubai and the trust in the government of Dubai played a positive role in encouraging foreign investment. One of the interviewees stated,

“The experience of Dubai, regardless of anything, is unique and different in the history of the region. We hope that the other Arab countries are stimulated by this experience. Dubai is a bright light of hope in this dark region. The confidence of the investors has started to recover since the beginning of 2010. What assures this is the information we get about the capital and money that was transferred to Dubai as a result of the Arab Spring. Dubai is still considered as a safe haven. Why do they transfer their money to Dubai if they don't feel that it is safe and a good place for investment?” (PS6)

The majority of bankers and managers from the private sector declared their strong belief in the leadership’s expressed vision and the government’s initiatives. This confidence and trust in the emirate and how it is run was also evident through the observed investors’ perception that there is implicit government guarantee in relation to the GREs’ debts. Hence, it can be argued that trust and confidence in the emirate of Dubai is its key asset; the government should constantly manage and foster this to maintain Dubai’s reputation and image. A senior manager of an international company commented,

“Investors continue to have faith in Dubai; they did not leave Dubai, they are not looking for alternatives, they continue to invest in Dubai. We have increased our investment in Dubai over the last few years, and we have plans to increase our presence here; we moved from being a hub for the Gulf to becoming a hub for the Middle East and Africa, and that happened in 2008 by the way.” (PS3)

1) As mentioned in chapter 5, the economic performance after the financial crisis witnessed a positive growth in the GDP of the emirate of 3.5 per cent in 2010, 3.3 per cent in 2011, and 4.4 per cent in 2012, after the negative growth of 2.7 per cent in 2009. Clearly the GDP growth rate of Dubai from 2003 to 2007 was a reflection of the economic boom, fuelled by the real estate bubble that accounted for 17.6 per cent of the GDP in 2008; however, its contribution declined to 12.5 per cent in 2012. As highlighted in chapter 5, the percentage contribution of the sectoral composition of Dubai’s GDP indicates that the real estate services and construction experienced the major decline. The contribution of real estate to the GDP increased by 96 per cent from 9 per cent in 2001 to 17.6 per cent in 2008, followed by a decline by 29 per cent to reach 12.5 per cent in 2012. Similarly, the contribution of construction to the GDP grew by 71 per cent from 8 per cent in 2001 to 13.7 per cent in 2008, followed by a decline of 43 per cent to reach 7.8 per cent contribution to the GDP in 2012. Accordingly, it appears that although the government was achieving high
GDP growth rates, 17.6 per cent of the GDP in 2008 was generated from the real estate sector, which is not considered as an economic sector on its own, but as an enabling sector. Similarly, it was noted that the real estate sector accounted for 23.5 per cent of the emirate’s FDI in 2008, which was also unsustainable. Hence, it could be argued that prior to the financial crisis the unprecedented growth rate that the economy experienced from 2003 to 2007 was an unsustainable anomaly in the series of GDP rates of the emirate.

Furthermore, based on Dubai’s GDP and the sectoral composition described in chapter 5, other sectors have also witnessed a decline, although by 2012 they were contributing positively to the GDP growth. The contribution of the wholesale, retail and tourism sectors to the GDP increased by 39 per cent from 32.6 per cent in 2008 to 34.8 per cent in 2012. Also, the contribution of the logistics sector grew by 19 per cent from 12.1 per cent in 2008 to 14.4 per cent in 2012, and, the contribution of the manufacturing sector increased by 36 per cent from 11.3 per cent in 2008 to 15.4 per cent in 2012. Hence, it seems that trade, logistics and tourism are the key fundamental strengths of the economy as they contributed to the recovery and growth. Hence, economically speaking, the issue for the emirate was not the operational health of the economy, but first the unavailability of a prompt cash flow to enable the government to handle and pay the inherited accumulated debts of the GREs; and secondly the real estate bubble that was an anomaly in the Dubai model, going out of control, as mentioned by the vast majority of the research participants. One interviewee asserted,

“The real estate sector is divergent; it is meaningless for the Dubai economic story. Dubai was never about real estate, and its core vision was never about developing the real estate sector.” (BA10)

It is also necessary to emphasise that, based on the discussion in chapter 6 of the socio-cultural context, the economic sustainability of Dubai has to be thought of from not only the economic related issues and managerial practices but also from a social dimension around the demographic imbalance and its potential tensions. This is because the expatriates who form a significant majority of the total workforce in the city-state, 96 per cent of Dubai’s employment, work on a contractual basis with no citizenship rights. As the economy of Dubai is heavily reliant on transient human capital, this can be seen as a source of vulnerability to the sustainability of the developmental plans of the city-state. It is also an issue from the point of view of retention of talents and knowledge management, because the development of Dubai and all the associated learned experience, knowledge and expertise are not primarily in the hands of the indigenous minority. This can be seen as a cost associated with labour turnover.

The issue of knowledge creation, accumulation and retention is a challenge that the government has to face. Its importance lies in the recognition that knowledge creation takes place through
the accumulation and retention of human capital and talents. In the case of Dubai, the knowledge and expertise that have been generated through the years of economic development and growth are accumulated within a transient expatriate workforce, with no guarantee that they will remain in the country due to the absence of citizenship and assimilation programmes. The inability to retain qualified and skilled talent would be a potential economic waste that could have an influence on the sustainability of the Dubai economy in the long run.

The economic growth that Dubai city has witnessed has changed the nature of its social structure and the social character. The result is a social transformation and tensions in terms of demographic imbalance with an indigenous minority and expatriate workforce majority. This has generated challenges for the government of Dubai including the issue of citizenship and assimilation of the expatriates, the national identity, as well as concern about the accumulation and retention of knowledge and talent as an important pillar for sustainable economic development and growth. Undoubtedly, the expatriate workforce is not only a significant factor contributing to shaping the developmental and economic environment of Dubai, but also an integral part in building the competitiveness of the city-state. As Schiller (2012) explains, the migrants are actors within networks that provide various economic and social opportunities and disparities. Accordingly, the economic sustainability of Dubai would require the government not only to address the challenges related to the economic and the managerial practices but also the social issues centred around the indigenous minority and expatriate majority and the subsequent challenge of knowledge and talents creation, accumulation, management and retention.

As already described, the global financial crisis of late 2007 hit the economy of Dubai, with associated financial difficulties for the government and its related ventures (GREs) as a result of the crash of the real estate market and the accumulated debts and financial obligations (around US $ 80-112 billion, the government accounting for 22.3 per cent of the total debt and the GREs for 77.7 per cent). It is critical to acknowledge the role that the federal government and the UAE Central Bank played in subscribing to Dubai’s launch of US $ 20 billion of bonds in February 2009 (Augustine, 2009b). The US $ 10 billion liquidity was provided to bail out Dubai World and the financial obligation of repaying US $ 4.1 billion for the maturing bonds of Nakheel, the master real estate development arm of the company (Hasan, 2010). This financial aid from the federal government was possible because the UAE is one of the richest economies in oil and gas. The UAE federal support was expected, as agreed by the research participants including those from banking and financial institutions, because as Hasan (2010) argued, failure to help could threaten the cohesion of the UAE. Accordingly, the federal union of the UAE has been shown to be a safeguard for the emirates. The solidarity of the union was tested during the crisis and, as one of the interviewees noted, “if support had not been given to Dubai, then the whole union would be questioned” (BA13). This is because Dubai is part of a federation, so any economic impact on Dubai would automatically affect the economy of the UAE as a whole,
given that Dubai is the second largest contributor to the UAE’s GDP and the major driver attracting foreign non-oil investment and international companies. Therefore, it is in the federal government’s political and economic interest to offer help when needed by any of its federal members.

The Dubai World’s default on its debt in terms of paying out on the matured bonds in November 2009 triggered the Dubai financial crisis, sending shock waves through global financial markets, affecting the financial and economic confidence in Dubai and the UAE in general by flagging the risk of foreign capital outflow (Nassehi, 2013; Chailloux and Hakura, 2009). Therefore, the government of Dubai and the federal government had to intervene and bail out Dubai World to calm the financial markets and to restore the creditors’ confidence. In order to further boost confidence and prevent foreign capital outflow, the federal government had taken an earlier step, in October 2008, guaranteeing all the deposits for three years in both local and foreign banks with major domestic operations and injecting US $ 19 billion of emergency funds into the banking sector to maintain liquidity. This federal initiative took place a year before the Dubai World default. Therefore, the capital that was injected into the banking sector and the three-year blanket guarantee on bank liabilities was possible because the UAE benefited from the petrodollar savings. As Nassehi (2013) rightly argued, oil booms make it easier for resource-rich states to borrow from international markets because petrodollars are viewed by foreign creditors and investors as implicit collateral for loans.

The importance of rescuing Dubai World was because of its major role in Dubai’s economy. The value of Dubai World stems from the fact that it contributes heavily to the logistics sector by running Dubai’s ports, Dubai Dry Dock and Jebel Ali Free Zone, as well as managing a portfolio of companies and projects for the government across a wide range of industries. As explained in chapter 5, Dubai World manages 65 marine terminals globally in the Middle East, Asia, Africa, Europe, South America and Australia (DP World, 2013b). Therefore, it was in the interest of both the Dubai government and the federal government to intervene and assist Dubai World, which positions Dubai and the UAE as a whole as a logistics hub in the region. This could explain why the government of Dubai inherited the debt of Dubai World and its related companies, although it was not a sovereign debt. It is important to emphasise that the importance of backing up the GREs is that these entities are the main engines of development and growth in Dubai, comprising a web of commercial corporations as explained in chapter 4.

Undoubtedly the US $ 10 billion was provided at the right time to rescue Dubai World from default by helping the conglomerate to meet its immediate financial obligations. Nevertheless, this bailout only provided some breathing space to Dubai World, assisting in the survival of the company. Note that the government of Dubai did not receive any financial grant, as the financial support was a loan based on commercial terms. As mentioned in chapter 5, Dubai World’s total estimated liabilities comprised 26.8 per cent of Dubai’s total debt, compared with the
government’s 22.3 per cent of the total debt. Therefore, it could be argued that although the federal financial support of US $10 billion, constituting around 10 per cent of the total debt of both the government and GREs restored the financial stability in the city-state, nevertheless the sustainability of Dubai’s economic development and growth would be primarily subject to its ability to address and remedy the managerial practices and discrepancies discussed earlier. These centred around adequate governance and monitoring mechanism over the GREs to prevent heavy debts which were mostly raised from foreign investors in short-term maturities. The accumulated heavy borrowing by the GREs significantly increased the financial vulnerability of Dubai’s economy, hence threatening not only the financial position and economic reputation of Dubai but, most importantly, affecting the sustainability of the city-state and its development plans.

8.5 Conclusion

The findings of this study reveal that the economic performance of Dubai was a reflection of the narrated vision and plans of the emirate that centred around developing it as a global city and a hub for trade, services and tourism by providing advanced infrastructure and facilities to attract regional and international corporations and capital. This is in addition to the government’s deliberate plan to diversify the economy, making it service based and playing down the importance of oil. These narrated vision and plans were translated into performance initiatives, as described in chapter 7, which performed and endorsed the narratives; they also contributed to attracting international companies and capital to Dubai. The study’s findings reveal that the diversification of the economy was intentional and planned, as asserted by the vast majority of the research participants. Moreover, the findings indicate that the economic performance was also intentional and planned by the government, with the exception of the real estate sector, which was planned initially but eventually became market-driven and turned into a bubble that burst at the end of 2008. Furthermore, based on analysis of the interview data, it appears that the government tended to behave like a corporation with regard to investment decisions and was inclined to focus on short- to medium-term results and higher returns; this signalled financialized management that dominated Dubai government practices in their planning and management of the economy. It supports Harvey (2010), who argues that today’s capitalist economy is strongly characterised by accelerated speed of capital circulation through service industries including entertainment, insurance, and financial services, where faster circulation of capital pays off in higher profits. Also, this finding is consistent with Fligstein (1990), Lazonick and O’Sullivan (2000) and Erturk et al. (2008), who explain that short-termism dominates corporate decision making and that investment strategies in financialized economies are inclined to be short-term oriented with the focus on achieving higher returns.

This chapter also revealed, based on careful analysis of the economic performance and the interview data using the theoretical approach of the study of narratives and performance, that
the government was achieving high economic growth rates from 2003 until the negative GDP growth of 2009; however, a significant percentage of 17.6 per cent of the GDP in 2008 was generated by the real estate sector, which is not considered as an economic sector in its own right. Similarly, it was noted that the real estate sector accounted for 23.5 per cent of the emirate’s FDI in 2008, which is also unsustainable. Hence, it can be argued that, prior to the financial crisis, the unprecedented growth rate that the economy experienced from 2003 to 2007 was unsustainable and an anomaly. Moreover, in light of the global financial crisis of 2007, the study findings revealed the need to review the government managerial practices to reconsider the key issues that have to be the focus of the policy makers, in order to assist the development of sustainable economic growth. These issues include constant monitoring and control over economic performance and growth; government intervention in regulating the market and controlling excess liquidity to avoid the asset price bubbles that seem to characterise financialized capitalist economies; comprehensive governance over the GREs due to their role and value to the economy; and regular management of investors’ expectations to ensure confidence in the economy and the government. This is in addition to the recognition that the sustainability of Dubai’s economic development and growth is not only about addressing the economic- and managerial-related issues and discrepancies; it also involves understanding the potential social tensions related to the demographic and workforce imbalance with the indigenous minority and expatriate majority; despite their contribution to the economic development, expatriates lack citizenship rights. The challenges are about how the government might tackle knowledge retention, minimise money outflow from the expatriates and encourage them to recycle their wealth in the city-state economy itself, by considering assimilation programmes to incorporate the expatriates in society, while preserving the security and national identity of the city-state, culturally and politically.

Therefore, the sustainability of Dubai’s economic development is subject to the government’s ability to pragmatically address and overcome the mentioned challenges. Dubai since the financial crisis, has witnessed a positive GDP growth rate and economic recovery in its key economic sectors; however, the long-term economic sustainability of the city-state remains an ongoing process that is subject to government policies and efforts to consistently stimulate, manage and control the economy in the context of an era of uncertain financialized capitalism. According to Boyer (2000), Erturk et al. (2008), Marazzi (2010), Fumagalli (2010), Fumagalli and Mezzadra (2010), Vercellone (2010), Lucarelli (2010), Chicchi (2010) and Paulre (2010), present-day financialized capitalism is combined with uncertainty and the risk of asset price bubbles, as observed in the dot.com bubble of 2000, followed by the emergence of real estate as an asset class, globally as well as in Dubai.
9.1 Introduction

This chapter presents conclusions drawn from the overall doctoral research, starting with the researcher’s remarks on the aim of the study and related objectives, the theoretical framework, the adopted research approach, the research methodology, as well as highlighting the key findings, observations and reflection from the previous chapters. This will be followed by addressing the contributions of the research as well as providing recommendations for both policy interventions that could assist the process of sustainable economic development in Dubai and for further empirical studies.

9.2 Research Approach and Findings

The underlying premise of this doctoral research is that the Dubai model of economic development has hardly been studied by academics. This is despite the city-state’s remarkable urban transformation and phenomenal growth from a modest economy of US $ 17.9 billion in 2001 to a sophisticated economy of US $ 86.7 billion in 2012, which has captured the interest of international investors, the business and media. Although Dubai is not an oil exporting economy, the government was able to significantly increase its GDP while reducing the oil revenue participation from 8 per cent in 2001 to 1.5 per cent in 2012. Hence, observations were made as to how this small city with its modest natural and human resources could outperform, in terms of economic diversification as well as urban and administrative modernisation, the biggest and wealthiest oil-dependent neighbouring Arab countries (Pacione, 2005; Abdulla, 2006). It is therefore argued that the Dubai model deserves a thorough scholarly study. Basically, the purpose of this research is to analytically explain and assess the Dubai model of economic development in light of the global financial crisis of 2007, and thereby to assist in understanding the mechanism of the emirate’s economic practices under today’s increasingly financialized capitalism, and thus to critically investigate prospects and provide pragmatic inputs for the development of sustainable long-term economic growth. To achieve this aim, the study proposed a number of objectives, listed in section 1.4.

Desktop research was carried out at an early stage of the study in order to address the first research objective. This stage involved conducting a comprehensive review of the available literature and statistical data on Dubai’s economic emergence, its economic structure and performance, as well as the contextual political and socio-cultural environment. The literature-based examination of the Dubai case revealed that there has been some recent academic interest in studying the Dubai model from various perspectives: historical, observational, events
documentation, place branding and marketing, urban landscape and developmental standpoints. However, no study provides a comprehensive analysis of the overall Dubai model taking into account, first, the associated contextual political and socio-cultural factors, and secondly, the global financial crisis that impacted the economy of the emirate and raised uncharted challenges to the Dubai model. Therefore, this doctoral research presents Dubai as an interesting case study from a socio-economic perspective. As part of the desktop-based research, an essential wide range of diverse data gathered from varied sources was analysed. This includes comprehensive economic statistical data, financial and economic reports published by financial institutions, and international and local press reports, to establish an unbiased in-depth understanding of Dubai’s economic performance. This comprehensive coverage of the available economic statistical data from various sources is considered the first of its type in studying the Dubai model; it ensured a considered overall view of the macro-economic performance of the city-state before and after the global financial crisis of 2007, which includes investigating the GDP and its sectoral composition, foreign trade, FDI and other economic-related indicators. The thorough desktop study of the available data was not only deemed useful in establishing fundamental socio-cultural, political and macro-economic knowledge about the case study of Dubai, but it also assisted the researcher in articulating informed interview questions for the empirical fieldwork. It was observed that the economic dynamics of Dubai revolve around narratives of economic diversification and the government’s intention of positioning the emirate as a global city, accompanied by government-led interventions and initiatives, and the notable rapid economic growth that the emirate has experienced since the 1990s followed by a significant acceleration at the beginning of the millennium. This strengthened the case for studying Dubai from a multidisciplinary perspective, rather than adhering only to the academic literature of mainstream economics.

The empirical part of the research addresses the remaining four research objectives, which involve in-depth investigation and assessment of the Dubai model of economic development in order to analytically explore and explain how Dubai’s narratives and economic performance function at a macro-economic level, taking into consideration the political and socio-cultural environment. This leads to policy-oriented recommendations that could contribute to the development of policies for long-term sustainable economic development. In order to achieve these objectives, fifty-six in-depth elite interviews were conducted with four independent groups of highly informed participants who are considered key stakeholders in Dubai’s economy. The first group consisted of sixteen senior government officials who were either involved in or influenced decision making, or were well-informed about the macro-economic context and economic processes in Dubai. The second group consisted of fifteen senior managers from domestic and international banks and financial institutions, and the third group of fifteen senior managers from the private non-financial sector. A further ten interviews were conducted with well-known academics specialising in political and cultural science, who are familiar with the political and cultural context of the UAE. The importance of interviewing these four different
groups lies in the author’s emphasis on assuring the generation of valid, accurate and candid research findings, which are based on triangulating the data captured from multiple sources. Also, it can be argued that the high-profile professional status and seniority of the interviewees, together with the depth and length of the interviews, are one of the key strengths of this empirical study.

The analysis of the case study of Dubai is based on a multidisciplinary theoretical framework that stems from the literature of economic geography, cultural economy and managerialism as a suitable alternative to the discipline of mainstream economics. This approach resulted in a thoughtful interpretation and explanation of the Dubai economic model, and explains how the economy of the city-state functions within the political and socio-cultural context. The multidisciplinary theoretical framework was considered for the case study of Dubai because, as Bridge and Watson (2010, 2011) explain, this approach allows in-depth investigation and strengthens understanding of the breadth and diversity of cities in the twenty-first century. The multidisciplinary theoretical approach adopted proved useful in the case study of the Dubai economy because it takes into consideration the multi-faceted nature of Dubai, which is difficult to analyse and understand within the boundaries of traditional economics, which ignores cultural and social dimensions and conditions that not only influence but also shape a given economic landscape (Zukin and DiMaggio, 1990; Crang, 1997; Swedberg, 1997; Martin, 1996, 2000; Sheppard et al., 2004; Leyshon et al., 2011). Also, the 2007 global financial crisis and its impact on the economy of Dubai raised further issues requiring the Dubai model to be addressed from a socio-economic perspective. The theoretical framework adopted implies the use of the methodological approach of the study of narratives and performance with an emphasis on exploring and explaining the role of narratives in shaping the economy and the performance initiatives of the government, thus enabling assessment of the Dubai model by evaluating any discrepancies between narratives and economic performance. Based on a comprehensive study of the literature and intellectual theories, this theoretical framework successfully met the research aim and its defined objectives. In fact, it can be argued that this multidisciplinary theoretical framework is the first application to the study of a city-state; it offers a new analytical approach to the case study of Dubai, and enables detailed investigation to assess its economy. It can also be argued that the framework articulated in this doctoral thesis could assist in assessing other economies in different countries or cities.

Although it is not the author’s intention to reiterate all the findings and general observations already outlined in the thesis, it is worth emphasising some of the key research outcomes and reflections in relation to the broader research questions. In response to the first research question, that is concerned with how Dubai’s narratives, development initiatives and actual economic performance interact, it appears that Dubai is a unique case of how narratives play a significant role in shaping the economy, through the translation of these narratives into development initiatives that ultimately support the government’s strategic plans and objectives.
Dubai demonstrates a blend of global cities' narratives and corporate managerialism narratives, by which Dubai's narrated vision is to become a global city while emphasising the notion of excellence, creativity and competitiveness which are features that mainly characterise corporate firms. This was translated into the city-state's governance system and the way that the city is run and managed, which is mainly corporate-driven in its approach to government practices. In other words, the governance structure in Dubai is a hybrid between traditional government and modern corporate practices.

It was found that this study illustrates the importance of engaging the various stakeholders in the economy, who in the case of Dubai played a role in disseminating the emirate's narratives and hence formed what Boje (2001) describes as a cohesive story told by several narrators besides the government. During the empirical fieldwork and the analysis phase, It was found that there were no inconsistencies noticed among the responses of the different sets of interviewees, nor irregularities spotted between the interviewees' responses and the economic data. However, it was observed that the elite interviewees subscribed to the government narratives and hence were repeating these official narratives. Starting with the financial institutions and the private non-financial sector, it was noted that the majority of them were biased to Dubai despite the collapse of the real estate market and the uncertainty of the accumulated debts that the government has to deal with. Their bias could be attributed to many reasons; first is that they were benefiting from the business atmosphere, facilities and services that the government of Dubai provides, which they could not find elsewhere in the region as affirmed by all the senior managers from the financial institutions and the private non-financial sector. This includes: the advanced infrastructure and means of transport, business facilities and ease of doing business, electronic government services, and specialised free zones that offer 100 per cent business and property ownership. All the interviewees greatly emphasised on the importance of these facilities that resulted in attracting them and further retaining them after the outbreak of the global financial crisis that affected the economy of Dubai. The majority of the senior managers from the financial institutions and the private non-financial sector referred to Dubai as 'the choice' for locating their regional headquarters even after the crisis because of the available infrastructure and business facilities on ground. All the interviewees stressed that the "infrastructure distinguishes Dubai from its competitors in the region" (BA10). Second, the author of this thesis believes that the elite interviewees would be more critical in their views if there were well-established competing cities in the region that could be seen as alternatives to the financial and non-financial multinational corporations for establishing their headquarters and running their regional operations. Third, the observed elite interviewees' bias to the city-state was based on the fact that the narratives were backed up by tangible government initiatives on ground that endorsed the narratives and made them more believable to the key stakeholders in the economy of Dubai. This includes for example the establishment of specialised free zones to focus on certain sectors, including Dubai Internet City as a platform to attract international ICT corporations to improve the technology and communications sector, Dubai Media City, Dubai
Healthcare City, and Dubai International Financial Centre to support the government’s narrated vision to position the city-state as a financial hub in the region. Fourth, the interviewees’ bias to Dubai’s narratives stems from the constant presence of the political leadership and the ruler’s direct intervention and follow-up on the government narrated initiatives from conception, throughout implementation to completion. This is a great factor that all interviewees valued; a head of an international company stated that when they started establishing their regional headquarters in Dubai Media City “the ruler in person used to visit to encourage the employees and the people who are working” (PS5). Fifth, it was noted that the majority of the elite interviewees were supporting their views with their awareness of the commercial history of the city-state and the projects that the government narrated and delivered, such as dredging the Creek, establishing Jebel Ali Port and launching the specialised free zones to promote certain sectors such as ICT, financial services and healthcare. Hence, it appears that this recognised history was considered by the interviewees as a track record for the city-state. Accordingly, it could be argued that the interviewees were less open to other alternatives and would not be as critical as those who did not benefit from the city-state’s economic development and growth as well as the facilities that the government offers.

On the other hand, it appeared that the majority of interviewees from the government officials were transparent and insightful with their responses in terms of describing the case under study, explaining the circumstances and the mistakes that were encountered during the years of economic boom since the beginning of this millennium. One of the government officials mentioned that “even if the global financial crisis didn’t hit, there would have been a crisis in Dubai real estate market, the prices of properties cannot get escalated forever” (GO6). Nevertheless, Some of the responses were possibly biased and that could be attributed to; first, the government of Dubai was achieving double-digit economic growth in GDP, foreign trade and FDI inflows with less attention whether such unprecedented growth can be sustain. Second, human beings are naturally biased against their choices and decision makings. Ricciardi and Simon (2000) argue that human beings have a tendency to overestimate their own predictions for success. In this sense, government officials and decision makers were prone to give more weights to certain decisions according to profitability than the perceived risks. In general, the bias in the responses of the elite interviewees could be due to the corporate and individual gains in the form of business profits and personal bonuses that accompanied the boom phase that the city-state witnessed.

In recognition of the city-state’s development and economic initiatives as a second part of the first research question, it was noted from the cultural economy literature, as well as being supported by the case study, that the narratives have to be translated into initiatives to make them more believable. It appears that the narratives of Dubai were performative in nature; this conclusion was reached through acknowledgment of the development initiatives that were established by the government of Dubai to convert the narrated vision of the city-state (for Dubai
to become a diversified economy and a premier hub for trade, logistics, tourism and financial services), into tangible initiatives, witnessed in the government investment in the infrastructure, transport and logistics sector (expanding Dubai Airport, launching Al Maktoum International Airport, Dubai Metro and establishing specialised free zones to boost certain sectors, such as Dubai Internet City, Dubai Media City, Dubai International Financial Centre, Dubai Logistics City and Dubai World Central to support building logistics and aviation expertise; this is in addition to other initiatives as detailed in chapter 5).

Most importantly, it was necessary to investigate the economic performance, the third element of the first research question, in order to critically assess the actual value of the performed initiatives in relation to the disseminated narratives; this identifies any discrepancies that should be the focus of government investigation, to rectify them and therefore assist in maintaining sustainable economic development. In this regard, it appears that the economic performance of the city-state reflects the narrated vision of the government when it comes to having economic diversification and establishing a service-based economy. However, careful investigation of the economic performance, in light of the global financial crisis of 2007, revealed several discrepancies and critical government managerial gaps, as described in chapter 8. Although the government was achieving high and rapid economic growth rates before the outbreak of the global financial crisis, reaching 26.7 per cent in 2005, 72 per cent in 2006 and 17.5 per cent in 2007, the sectoral composition shows that one of the major contributors to this growth was the real estate sector, that grew from 9 per cent in 2001 to 17.6 per cent in 2008. This is an excessively high contribution, given that real estate is an enabling sector and cannot be considered an economic activity on its own. Therefore, the double-digit GDP growth that the city-state achieved before the outbreak of the financial crisis would not have been sustainable in the long term. Similarly, it was noted that the real estate sector accounted for 23.5 per cent of the emirate’s FDI in 2008, which is also unsustainable. Hence, it could be argued that prior to the financial crisis the unprecedented double-digit growth rate that the economy experienced from 2004 to 2007 was an unsustainable anomaly in the series of GDP growth rates of the emirate.

The focus of the government of Dubai was on achieving economic growth, as evidenced through the economic initiatives established to build foundations for boosting particular sectors including logistics, ICT, financial and tourism, as described in chapter 5. Nevertheless, stimulating sustainable economic growth requires managing and directing growth to ensure more balance in the sectoral composition of the GDP. The discrepancy is that, although the government had a strategic plan with clear economic objectives, there was no holistic framework to oversee and manage economic performance and growth. There was a need for coordination among all the sectors of the economy as well as continuous reassessment and monitoring against the economic plan. This would have prevented what the economy experienced in deviating from the plan, and bias toward the real estate sector, which got out of
control and experienced a boom and crash in 2008. The development and growth of the real estate sector should have been first planned and monitored in accordance with a holistic strategic plan at the city macro-level; second it should have been regulated and controlled by the government and should not have been left to market forces. In this sense, it is important that the government is concerned about asset price bubbles and bursts; this is consistent with comments by Fumagalli (2010), who noted that governments have to intervene in regulating and governing the market due to the market's lack of capacity to regulate itself. The importance of having a mechanism to foster oversight over economic performance is a critical necessity because uncertainties and risks of asset price bubbles are common in the financialized capitalist economies.

The required monitoring mechanism has to include not only oversight over the sectoral performance of the GDP and economic performance, but it also has to incorporate a governance system over the plans and performance of the GREs, since these companies are mainly conglomerates and their performance affects the economy and the reputation of the city-state. It appears that prior to the financial crisis there was no centralised authority to streamline and consolidate the plans of all the GREs to ensure that they were aligned with Dubai's strategic plan. Hence, governance is needed to oversee performance, maintain accountability and ensure constant performance management and control, in order to measure and analyse the quality of performance on an on-going basis. It was noted that the GREs' projects and investment activities were not orchestrated, and hence there was excessive real estate supply, with overseas investment and over-dependence on debt as a financing strategy to fund their projects and investments. Hence, it could be argued that these GREs were operating without a holistic integrated plan, which did not enable the government to understand the contribution of all these projects or their overlap in the economy at a macro level. The key discrepancy in this regard was the high leverage of the GREs that became an inherited liability burden on the government to maintain the investors' confidence in the city-state's economy, as well as to support the GREs due to their role and value to the economy. Accordingly, there has to be centralised management to oversee the companies' financial strategies and control the amount of loans that they can take out, based on the feasibility of the projects, as it appears that the debt financing strategy adopted by the GREs was mainly a mismatch by which long-term projects were financed by short-term loans. The governance mechanism also has to cover the investment decision-making process of the GREs to ensure that each company is investing in its core business, because it was noted that although the investments of the GREs was in the context of the availability of high liquidity in the companies and in the capital markets that encouraged the companies to consider pursuing investment opportunities in the developed economies, some of the investments were seen to be outside the competencies and core business of the companies.
Moreover, according to the data analysis, Dubai appears to represent a financialized economy with a financialized government mentality towards the emirate’s economy; this is demonstrated in the government’s economic and investment decisions, which tend to be like corporate decisions, with preference for fast cycle of capital, short- to medium-term results, and higher returns. It is also reflected in the entrepreneurial-opportunistic mentality of the political leadership and the government of Dubai, which emphasises competition, continuous improvement of productivity and introduction of new development initiatives, reflecting a capitalist economy that is described (Swyngedouw, 2000b; Coe et al., 2007) as a ‘restless landscape’ that experiences a continuous urge for development and growth. This is in addition to the economic sectoral composition of Dubai that, since 2000, has witnessed the emergence of new sectors for national income generation: financial services, tourism and real estate; this was supported by the government’s establishment of the ICT projects, DIFC and other development initiatives that aim to diversify the economy and achieve the strategic plans of the emirate. Additionally, this empirical case study of Dubai with its unprecedented real estate price inflation and crash by the end of 2008 demonstrates how, under financialized capitalism, governments and policy makers are not in control of the economic trajectory. This case study of Dubai also concurs with the financialization literature (e.g. Boyer, 2000; Erturk et al., 2008; Marazzi, 2010; Fumagalli, 2010; Vercellone, 2010; Lucarelli, 2010; Chicchi, 2010; Paulre, 2010; Fumagalli and Mezzadra, 2010), which stresses that the finance-led accumulation regime of present-day capitalism can trap the economy in a financial bubble and crisis. Thus, asset booms and busts appear to be common cyclical occurrences in capitalist economies (Coe et al., 2007), as noted in the dot.com bubble of 2000 and the later emergence of real estate as an asset class that also experienced price bubble bursts, globally as well as in Dubai. This asserts that financialized capitalism, including that of Dubai, is combined with uncertainties and risks of asset price bubbles and economic instability; hence the need for governance and monitoring mechanisms to maintain control over economic performance, and therefore ensure sustainable economic development in the long term.

It can be concluded that the sustainability of the Dubai model of economic development, the second research question, depends on the government’s willingness and ability to address and rectify the managerial discrepancies that were revealed during the global financial crisis. In effect, the government’s interventions in managing the economic growth and overcoming the associated challenges is a continuous exercise, because the economic sustainability of the city-state remains an ongoing process that is subject to government policies and efforts to consistently stimulate, manage and control the economy in the context of an era of uncertainties and risk of asset price bubbles; these are common features characterising present-day financialized capitalism as explained by Boyer (2000), Erturk et al. (2008), Marazzi (2010), Fumagalli (2010), Fumagalli and Mezzadra (2010), Vercellone (2010), Lucarelli (2010), Chicchi (2010) and Paulre (2010). This has been observed in the dot.com bubble of 2000, followed by the emergence and collapse of real estate as an asset class globally as well as in Dubai.
With regard to the third research question, that is concerned with investigating the influence of the cultural and political context on the Dubai model, it appears that studying the contextual factors is necessary for a serious understanding of the Dubai economy, since explaining the economic landscape and performance of any given place requires considering not only the economic activities but also its culture, institutions and regulations (Clark et al., 2000; Krugman, 2000; Glaeser, 2000; Lundvall and Maskell, 2000; Scott, 2000; Slater, 2002; Pryke and Du Gay, 2007). On one hand, this study has revealed that the political and socio-cultural context of Dubai has contributed positively to the Dubai model of economic development. With regard to the political perspective, the federal political structure of the UAE and the state's constitution have guaranteed that all the emirates, including Dubai, retain the right to own and manage their natural resources, as well as autonomy to manage their domestic political, economic and administrative affairs with no restrictions imposed from the federal government as long as the domestic practices do not contradict the overall federal public laws and policies. Also, the political leadership of Dubai has played a significant role throughout in envisioning and pursuing its model of economic development. From a socio-cultural standpoint, the multicultural nature of the city-state created an attractive environment that stimulated the inflow of human capital; multinational merchants have been present in the emirate throughout its history, and expatriates have been familiar to the population since the 1890s. On the other hand, although the multiculturalism of the city-state was regarded positively by the majority of the interviewees, it appears that the socio-cultural context in the case study of Dubai has to be considered critically, beyond the tolerance of cultural differences among the multi-nationalities working and living in the city-state and the UAE in general. The emergence of a multicultural society is coupled with the challenge of the demographic imbalance between the indigenous minority and expatriate majority, which seems to be problematic and raises concerns and tensions around the cultural and political identity of the state, the challenge of citizenship and assimilation.

The issue of citizenship is a politically sensitive topic since it is about claiming rights (Isin, 2012), which would be a challenge to the government from several socio-cultural and political viewpoints. In the social dimension, the significant demographic imbalance with the indigenous Emirati as a minority presents a risk to the national identity of the state, with its heterogeneous mix of expatriates from different ethnicity, languages and backgrounds. Also, obtaining UAE citizenship means gaining access to generous social benefits including grants of residential land, marriage grants, protection from unemployment and job insecurity, subsidised housing, education, healthcare, electricity and basic foodstuffs. This would be a potential burden on the government if it had to extend these privileges to a larger number of new citizens. From a political dimension, the citizenship issue can cause potential political unrest in the state and ultimately could threaten the existing political regime. Whereas the indigenous Emiratis accept the culturally inherited political regime of “Sheikhdoms”, expatriates from different political regimes might claim the right to question and change the current political status quo.
Furthermore, political concern around granting citizenship involves belonging to a society not only through the construction of a set of rights but also of duties (Isin and Turner, 2007; Isin, 1999), which include the obligation for military service, belonging to a single society, and a loyalty to just one nation-state, which are areas of political concern.

According to these socio-cultural and political considerations, the UAE government maintains tight control over the legal status of expatriates living and working in the country; expatriate residents are bound by their employment contracts and are not entitled to citizenship or permanent residency despite a long period spent in the country. However, the challenges and tensions are strongly related to the economy; first, the economy of Dubai is heavily reliant on transient human capital, and this could be seen as a source of vulnerability that can affect the sustainability of the developmental plans, given the expatriates work on a contractual basis with no citizenship rights. Secondly, a huge proportion of the expatriate residents transfers money to dependent families in home countries, as their stay in the country without citizenship is not guaranteed. The amount of transferred money is a loss to the economy of Dubai and the UAE in general, since it is not spent or recycled within the state. Although the 100 per cent foreign properties ownership law can be considered as an alternative to encourage expatriates to remain longer in the country, there is a need for more assimilation programmes to increase their sense of belonging. Thirdly, it is of great concern that the knowledge, expertise and learned experience generated through the years of economic development and growth are accumulated in a transient workforce, with no guarantee that they will remain in the country. This inability to retain well-qualified talent in the economy is an economic waste that could affect the sustainability of the Dubai economy.

This discussion of the socio-cultural context of Dubai emphasises that its economic sustainability has to be thought of not only from the economic-related issues but also from a social dimension around the significant demographic imbalance with its associated tensions. The third research question addresses the influence of the socio-cultural and political context on Dubai’s economic development; however it appears that there is an interrelated relationship by which the socio-cultural context of the city-state not only influences but also is influenced by the economic policy of the city-state. This was noted in the recognition of the economic growth that the city has witnessed, which changed the nature of its social structure and character. The result was a social transformation and tensions in terms of the demographic imbalance. This has generated challenges and further tensions for the government, including the issue of citizenship and assimilation of expatriates, the national identity, as well as concern about the accumulation and retention of knowledge and talent as an important pillar for sustainable economic development and growth. The expatriate workforce is a significant factor not only contributing to shaping the developmental and economic environment of Dubai but they are also an integral part in building the competitiveness of the city-state. Hence, the economic sustainability of Dubai would require the government not only to address the challenges related
to the economic and the managerial practices but also the social issues centred around the indigenous minority and expatriate majority and the subsequent challenge of knowledge and talent management and retention. Accordingly, managing the country’s demographic imbalance along with its associated tensions are ongoing challenges that the government has to address as a concern that can affect not only its social stability but also its economic sustainability.

Moreover, it appears that the sustainability of the Dubai model of economic development, which is the topic of the second research question, is dependent on the recognition of the role that the federal government and the UAE Central Bank played in bailing out Dubai’s related ventures by providing US $ 10 billion to rescue Dubai World from default. This financial aid was possible because of the rich resources of the country in terms of oil and gas; Nassehi (2013) rightly argued that oil booms make it easier for resource-rich states to borrow from international markets because petrodollars are viewed by foreign creditors and investors as implicit collateral for loans. Almost all the research participants affirmed that the federal support was expected, for many reasons. First, Dubai is part of a federation, and failure to help it could threaten the cohesion of the UAE and the solidarity of the union. Hence, the federal system has proven to be a safeguard for the emirate of Dubai. Second, Dubai is the second largest contributor to the state’s GDP and the major city that attracts foreign non-oil investment and multinational companies; therefore, any economic impact on Dubai would automatically affect the economy of the UAE as a whole. Third, The Dubai World’s inability to meet its matured bonds in November 2009 triggered the Dubai financial crisis, sending shock waves through global financial markets and affecting the financial and economic confidence in Dubai and the UAE in general by flagging the risk of foreign capital outflow (Nassehi, 2013; Chailloux and Hakura, 2009). Therefore, the government of Dubai and the federal government had to intervene and bail out Dubai World to calm the financial markets and restore creditors’ confidence in the economy of the UAE. Fourth, the value of Dubai World stems from the fact that it contributes heavily to the logistics sector by running Dubai’s ports, Dubai Dry Dock and Jebel Ali Free Zone, as well as managing a portfolio of companies and projects for the government across a wide range of industries. As mentioned in chapter 5, Dubai World manages 65 marine terminals globally in the Middle East, Asia, Africa, Europe, South America and Australia (DP World, 2013b). Therefore, it was in the interest of both the Dubai government and the federal government to intervene and bail out Dubai World, for its major role in positioning Dubai and the UAE as a whole as a logistics hub in the region. It is perhaps worth to mention that the circumstances and the conditions of this financial aid could not be further investigated because of lack of access to data as such information are not publically available, which reflect the political structure of the state.

The federal support helped Dubai World to meet its immediate financial obligations; however, this bailout only provided some breathing space to Dubai World and assisted in the temporary survival of the company. Moreover, the financial aid is a loan based on commercial terms that
the government of Dubai has to pay back. Keeping in mind that Dubai World’s total estimated liabilities comprised 26.8 per cent of Dubai’s total debt, compared with the government’s debt of 22.3 per cent, it could be argued that although the federal financial support of US $ 10 billion (around 10 per cent of the total debt) restored the financial stability in the city-state, the sustainability of the Dubai economic development and growth would be primarily subject to its ability to address and remedy the managerial discrepancies centred around managing the economic growth, governing the real estate sector and the need to have adequate governance and monitoring mechanisms over the GREs to prevent heavy debts mostly raised from foreign banks in short-term maturities. The accumulated heavy borrowing by the GREs seriously exposed the economy to significant financial vulnerability, hence threatening not only the financial position and the economic reputation of the city-state but, more importantly, affecting the economic sustainability of Dubai.

9.3 Research Contributions and Key Policy Issues

The main theoretical contribution of this study is that it fills the gap in the literature on the Dubai model of economic development by empirically explaining and analytically assessing the case study of Dubai in light of the global financial crisis of 2007, taking into consideration the role and influence of political and socio-cultural contextual factors on the economic development of the emirate. This study provides a thorough exploration and critical explanation of the role and influence of present-day dynamic financialized capitalism in changing the behaviours and practices of cities, demonstrating the tendency of governments to behave as corporations to gain global recognition, attract foreign investment and ultimately increase their national income. The study also fills the gap in the literature on the political and socio-cultural environment of the UAE in general and Dubai in particular, because there are very few academic studies of the UAE’s political and cultural framework. Equally, there is virtually no analysis of the contextual political and cultural factors and their relation and influence on the Dubai model of economic development. Thus, the originality of this research is that it analysed the Dubai model through political and cultural lenses because, as Callon (1998) and Pryke and Du Gay (2007) believe, the economy is not only influenced but is also shaped by the political and cultural structure of a country. This study has shown that the political and socio-cultural environment has a significant influence on Dubai’s economic development and the government’s pursuit of strategic plans and development initiatives. This was observed from the prominent positive role of the political leadership in Dubai throughout history, in envisioning, performing and directly supervising the economic projects and initiatives. This is in addition to the nature of the federal political system of the UAE and its constitution, that guarantee for all the emirates the autonomy to exercise their domestic policies and decisions in managing their internal affairs and economies, while benefiting from the federal framework that provides a stable political and social environment. Furthermore, the socio-cultural nature presents opportunities as well as tensions that the government has to address, as it appears that the sustainability of the Dubai model is not only
about discussing the economic and managerial issue and discrepancies, but is also about the social issues around the indigenous minority, as explained in the previous section. On one hand, the multicultural nature of Dubai has enriched the model of economic development and increased the city-state’s ability to attract expatriates, foreign investors and mobile human capital with different expertise who have contributed to the economic development of the city-state. On the other hand, the social structure of the country presents the challenge of the demographic imbalance with its associated social and political risks and tensions around the expatriate majority with no citizenship rights.

In more general terms, the literature on cities, cultural economy and economic geography are largely concerned with studying Western countries, cities and corporations. Therefore, this research contributes to the scant literature on economic development in the Arab Middle East in general, and the Gulf States and cities in particular, by analytically presenting Dubai as an Arab Middle Eastern case. Moreover, the findings of the study contribute to the financialization and capitalism literature (e.g. Fligstein, 1990; Lazonick and O’Sullivan; 2000; Erturk et al., 2008, Harvey, 2010), which notes that investment strategies in today’s financialized economies are inclined to focus on achieving higher returns within a short span of time. This was supported by the research findings, which revealed the financialized management that dominated Dubai government practices in their planning of the emirate’s economy. This is in addition to the government’s tendency to behave like a corporation with regard to investment decisions, which tend to focus on faster circulation of capital, short- to medium-term results and higher returns. Another main theoretical contribution of this study’s findings is that the Dubai case illustrates the challenge of carrying out plans and controlling economic development and growth in a financialized capitalist system that is increasingly associated with uncertainty and the risk of asset price bubbles (Boyer, 2000; Erturk et al., 2008; Marazzi, 2010; Fumagalli, 2010; Vercellone, 2010; Lucarelli, 2010; Chicchi, 2010; Paulre, 2010; Fumagalli and Mezzadra, 2010).

The main methodological contribution of the study is the application of the multidisciplinary theoretical framework of cultural economy and economic geography to empirically investigate and assess the Dubai model; this is a new and creative approach to explain case studies at a macro-economic level. Moreover, the mixed method approach of using the political and cultural economy to explain the financialization capitalism of Dubai is unique in studying and investigating the discrepancies in Dubai’s economic performance and outcomes. The use of the political economy approach enabled analysis of the intensive quantitative economic data and understanding of Dubai’s economic performance under present-day financialized capitalism. Also, whilst scholars (e.g. Scott, 2000b; Du Gay, 2002; Thrift, 2002; Froud et al., 2006) have adopted the cultural economy approach to understanding present-day financialized capitalism and its influence on the management practices of corporations, this study has applied the approach to the city-state of Dubai to analyse its model of economic development. Hence, adopting cultural economy has added a new perspective to how narratives of macro-economics
and governments shape the economy, and therefore can be considered as an alternative analytical approach to facilitate explaining and investigating the economic processes and outcomes of other similar economies. This approach revealed that Dubai is a financialized economy that involves narratives of purpose and achievements with supporting enactment through development initiatives; hence the importance of studying and analysing narratives and macro-economic data to investigate and assess economic performance. For the reasons discussed above, it can be argued that although the study findings are associated with the Dubai case, the multidisciplinary theoretical approach and the applied analytical methodology of the study of narrative and performance can be applied to study, investigate and assess other similar economies.

In addition to the theoretical and methodological contributions outlined here, this empirical study has addressed the concerns raised by practitioners and researchers (e.g. Abdulla, 2006; Bagaeen, 2007; Hvidt, 2009) about the sustainability of the Dubai economic model in the long run. Hence, it provides a number of thoughtful inputs and pragmatic recommendations, based on the adoption of the multidisciplinary theoretical approach of cultural economy and economic geography that provided a fertile foundation for the examination of the Dubai economic model. It was significant in highlighting the need for policy makers to tackle the gaps and challenges in the emirate's economic performance, which were revealed by the global financial crisis of 2007, in order to foster supportive government policies for sustainable economic development, as explained in chapter 8.

There is no doubt that the economy of Dubai has experienced unprecedented rapid growth in a short span of time, and particularly since the year 2000. However, the study has revealed the need to put in place a governmental monitoring mechanism to ensure that the growth of each economic sector is aligned with government plans. This monitoring system will serve to warn of any emerging anomalies or mismatches between the economic plans and actual performance. In essence, economic performance has to be closely and consistently managed and controlled rather than being left completely to market forces that might drive the economy in an unfavourable, harmful direction, as witnessed by the emergence and bursting of the real estate bubble in Dubai in 2008. Nevertheless, it should be recognised that the suggested mechanism does not mean restrictively tight control over the economy; rather it entails monitoring and ensuring that the economic sectoral performance is in line with the government plan to enable prompt governmental intervention when any irregularities are identified. This involves adequate government intervention in regulating the market activities based on the recognition of failure of the market's capacity to regulate itself (Fumagalli, 2010). Economic performance also implies an emphasis on putting into place a well-designed governance framework incorporating the GReS which play an important role in pursuing the government's strategic plans. It should streamline all the GReS' goals to ensure that they are ultimately aligned with Dubai's overall strategic plan. This is in addition to a constant review of government managerial practices, including regular
management of investors’ expectations to ensure confidence in the economy and the
government. Hence, the sustainability of Dubai’s economic development is subject to the
government’s ability to pragmatically address and overcome these challenges. Moreover, the
government has to take into consideration the social challenges and tensions around the
demographic imbalance as this raises concerns about the multicultural nature of the city-state,
the challenge of national identity, and the issue of citizenship and assimilation. The long-term
economic sustainability is a continuous process that is subject to well-defined government
policies and consistent efforts to plan, perform and manage the economy under present-day
financialized capitalism, with all its risks and uncertainties.

9.4 Research Limitations

The limitations of this study are based on the researcher’s observations on the interview
findings and the outcome of the research taking into consideration the nature of this study. It
was noted in chapter 5 that the government of Dubai was able to attract FDI to its economy,
which increased from US $ 16.8 billion in 2007 to US $ 33.7 billion in 2011. The government
was also able to attract international companies and institutions to establish their regional
headquarters in the city-state’s territory, especially in the specialised free zones. However, the
actual value and the quality of the FDI in terms of job creation, knowledge transfer and other
measures have not been quantified. Since this study looks at the relationship between Dubai’s
narratives and economic performance, the researcher believes that assessing the quality of the
FDI by quantifying its value to the economy would add additional insight to the analysis. This is
because, in Dubai’s narrative, attracting FDI plays a major role; although the aggregate FDI
figures are available the FDI’s impact has not been measured by the stakeholders in order to
quantify its actual importance to the narrated vision and objectives.

The significant role of the specialised free zones in attracting FDI to the economy of Dubai has
been recognised; it is accounting for 65 to 70 per cent of the total FDI in January 2013 (Dubai
FDI, 2013b). As explained in chapter 7, there was consensus among the research participants
on the importance and value of the specialised free zones. However, the actual performance of
each free zone and its real value to the economy has not been measured or quantified. This is
because there are 23 free zones, and it would require a longer time to assess the performance
of all of them. The researcher believes that more in-depth investigation in evaluating the value
of all the government established free zones should be considered as an independent study.
Similarly, it was mentioned in chapter 7 that all the research participants recognised the
branding, marketing and economic values of government established events, festivals and
exhibitions. Nevertheless, the actual financial and economic value has not been quantified, due
to the large number of events that take place; this, too, requires an independent study to
investigate their real value to the economy of Dubai. Therefore, the researcher believes that
estimating the financial value of each free zone, festival and exhibition would give additional
insight by quantifying the actual significance of these government-established initiatives and their relation to the actual performance and economic outcome of Dubai.

### 9.5 Further Research

Embarking on this research has been intellectually stimulating, very educative and has further fuelled the author’s interest in further studying Dubai’s economic development. This doctoral thesis concludes by offering some recommendations for further research relevant to the Dubai model of economic development:

a) Dubai has attracted significant foreign investment and many international companies to its territory. The government encouraged FDI inflow by developing non-oil sectors, providing favourable business incentives and facilities, as well as establishing specialised free zones. It is, however, recommended that the quality of the FDI in terms of knowledge transfer, job creation and other measures deserves scholarly attention in order to produce a systematic framework to quantify the value of the FDI attracted to the economy of Dubai.

b) During the interviews, a number of participants highlighted the need to carefully investigate the value of all the established free zones by measuring the benefit that each adds to the economy of Dubai. It can therefore be argued that research into this area is important, to empirically assess the impact of such initiatives on the economy, and hence motivate policy makers to build a performance-monitoring mechanism to consistently oversee progress.

c) Given that human capital is the most important asset in any country, it would be appropriate to assess the Emirati human capital and its role in the pursuit of Dubai’s economic development. An in-depth study in this area would stimulate policy makers to emphasise managing and directing the limited national human capital toward the requirements of the economy. Moreover, this would encourage investigation of government policies to establish cohesive partnerships among the government, universities and labour marketplace, in both public and private sectors, to generate greater value.

d) Although this research is a single case study that focuses on investigating and assessing the Dubai model of economic development, it is hoped that the multidisciplinary review of literature adopted, to encompass both cultural economy and economic geography, will encourage future researchers to combine insights from different theoretical approaches in studying other similar economies, as well as applying this research approach to the study of other economies that exhibit similar financialized features.


Goggle Map. (2012) The UAE map. [online]. Available at: https://maps.google.co.uk/maps?q=uae+map&ie=UTF8&ei=AYGXUo6eKdCBhAenqIHABw&ved=0CAgQ_AUoAg (Accessed: 13 March 2012)


The Economist. (2009b) The crisis has hit the emirate hard, but it is wrong to write it off. 23 April. [online]. Available at: http://www.economist.com/node/13527891 (Accessed: 20 January 2011)


APPENDICES
## APPENDIX A: List of Interviewees

<table>
<thead>
<tr>
<th>No.</th>
<th>Group</th>
<th>Professional Status</th>
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<tbody>
<tr>
<td></td>
<td><strong>Government Officials and Policy Makers</strong></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Mr. Abdulrahman Al Saleh</td>
<td>Director General - Dubai Department of Finance</td>
</tr>
<tr>
<td>2</td>
<td>Mr. Ahmad Matrooshi</td>
<td>Managing Director - Emaar Dubai</td>
</tr>
<tr>
<td>3</td>
<td>Mr. Ahmed Bin Byat</td>
<td>Chairman - Dubai Holding</td>
</tr>
<tr>
<td>4</td>
<td>Dr. Amina Al Rustamani</td>
<td>CEO - TECOM Investments</td>
</tr>
<tr>
<td>5</td>
<td>Dr. Ayesha Abdullah</td>
<td>Managing Director - Sciences Cluster</td>
</tr>
<tr>
<td>6</td>
<td>Dr. Eisa Abdelgalil</td>
<td>Senior Manager - Economic Research, Dubai Chamber of Commerce and Industry</td>
</tr>
<tr>
<td>7</td>
<td>Mr. Fadel Al Ali</td>
<td>Executive Chairman - Operations, Dubai Holding</td>
</tr>
<tr>
<td>8</td>
<td>Mr. Juma Al Majid</td>
<td>Chairman - Dubai Economic Council</td>
</tr>
<tr>
<td>9</td>
<td>Dr. Kamal Elwasal</td>
<td>Senior Economist - Dubai Department of Economic Development</td>
</tr>
<tr>
<td>10</td>
<td>Mr. Khalid Al Malik</td>
<td>CEO - Dubai Properties Group, Dubai Holding</td>
</tr>
<tr>
<td>11</td>
<td>Mr. Marwan Bin Ghalaita</td>
<td>CEO - Real Estate Regulatory Agency (RERA)</td>
</tr>
<tr>
<td>12</td>
<td>Mr. Mohamed Bin Brek</td>
<td>CEO - Jumeirah Asset Management, a former CEO of Dubai Properties Group</td>
</tr>
<tr>
<td>13</td>
<td>Mr. Nabil Alyousuf</td>
<td>Former Director General - The Executive Office, Government of Dubai</td>
</tr>
<tr>
<td>14</td>
<td>Mr. Saeed Al Muntafiq</td>
<td>Former Executive Chairman - Tatweer, Dubai Holding</td>
</tr>
<tr>
<td>15</td>
<td>Mr. Sameer Al Ansari</td>
<td>CEO Shuaa Capital, a former CEO - Dubai International Capital, Dubai Holding</td>
</tr>
<tr>
<td>16</td>
<td>Mr. Walid Tabanji</td>
<td>Director - Policy and Strategy, The Executive Council, Government of Dubai</td>
</tr>
<tr>
<td></td>
<td><strong>Banks and Financial Institutions</strong></td>
<td></td>
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<tr>
<td>17</td>
<td>Mrs. Aathira Prasad</td>
<td>Economist and Statistician - Dubai International Financial Centre</td>
</tr>
<tr>
<td>No.</td>
<td>Name</td>
<td>Position/Title</td>
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<tr>
<td>18</td>
<td>Mr. Farouk Soussa</td>
<td>Senior Economist – Citigroup</td>
</tr>
<tr>
<td>19</td>
<td>Mr. Gerard A McHugh</td>
<td>Director - Corporate Coverage Middle East, The Royal Bank of Scotland (RBS)</td>
</tr>
<tr>
<td>20</td>
<td>Dr. Giyas Gokkent</td>
<td>Group Chief Economist - National Bank of Abu Dhabi</td>
</tr>
<tr>
<td>21</td>
<td>Mr. Jakob Thomsen</td>
<td>CEO - SAXO Bank (Dubai) Limited</td>
</tr>
<tr>
<td>22</td>
<td>Mr. Joe Barchini</td>
<td>COO – Global Markets, Middle East and North Africa, Deutsche Bank AG</td>
</tr>
<tr>
<td>23</td>
<td>Mr. Meshari Ibrahim Al Ali</td>
<td>Head of Corporate Banking - Al Ahli Bank of Kuwait</td>
</tr>
<tr>
<td>24</td>
<td>Mr. Mohamed J. Berro</td>
<td>CEO - Al Hilal Bank</td>
</tr>
<tr>
<td>25</td>
<td>Dr. Nasser K. Bourislee</td>
<td>Senior Vice President - Global Investment House-Kuwait, General Manager UAE Office</td>
</tr>
<tr>
<td>26</td>
<td>Dr. Omar Mohammed Al Qaizi</td>
<td>Executive Director - Central Bank of the UAE, Dubai Branch</td>
</tr>
<tr>
<td>27</td>
<td>Mr. Pankaj Ganjoo</td>
<td>Regional Head Middle East and Africa - ICICI bank</td>
</tr>
<tr>
<td>28</td>
<td>Mr. Philippe Dauba-Pantanacce</td>
<td>Chief Economist – Middle East and North Africa, Global Markets - Standard Chartered Bank</td>
</tr>
<tr>
<td>29</td>
<td>Mr. Rick Pudner</td>
<td>CEO - Emirates National Bank of Dubai</td>
</tr>
<tr>
<td>30</td>
<td>Mr. Simon Williams</td>
<td>Chief Economist - HSBC Bank Middle East Limited</td>
</tr>
<tr>
<td>31</td>
<td>Mr. Sultan Bu-Sultan</td>
<td>Chairman – UAE and Middle East, Barclays Bank</td>
</tr>
<tr>
<td>32</td>
<td>Mr. Avishesha Bhojani</td>
<td>Group CEO - BPG Group</td>
</tr>
<tr>
<td>33</td>
<td>Mr. Bashar Kilani</td>
<td>Territory Manager - IBM Middle East</td>
</tr>
<tr>
<td>34</td>
<td>Mrs. Caroline Faraj</td>
<td>Chief Operations Director/Arabic editor in Chief – CNN</td>
</tr>
<tr>
<td>35</td>
<td>Mr. Dave Brooke</td>
<td>General Manager – Middle East Commercial - DELL</td>
</tr>
<tr>
<td>36</td>
<td>Mr. Hani Soubra</td>
<td>Regional Director – MENA and Pakistan - BCC Worldwide</td>
</tr>
<tr>
<td>37</td>
<td>Dr. Harold Goodis</td>
<td>Chief Academic Officer - Boston University, Institute For Dental Research and Education, Dubai</td>
</tr>
<tr>
<td></td>
<td>Name</td>
<td>Position and Company</td>
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<tr>
<td>38</td>
<td>Mr. Iyad Malas</td>
<td>CEO - Majid Al Futtaim Holding</td>
</tr>
<tr>
<td>39</td>
<td>Mr. Mishal Hamed Kanoo</td>
<td>Deputy Chairman - The Kanoo Group</td>
</tr>
<tr>
<td>40</td>
<td>Mr. Mohamed Burhan</td>
<td>General Manager and Acting CEO - CNBC Arabic</td>
</tr>
<tr>
<td>41</td>
<td>Mr. Nabeel Alkhatab</td>
<td>Executive Editor - Al Arabiya News Channel</td>
</tr>
<tr>
<td>42</td>
<td>Mr. Peter McElwaine</td>
<td>President and CEO - Jashanmal Group</td>
</tr>
<tr>
<td>43</td>
<td>Dr. Ram Buxani</td>
<td>President - Cosmos Group</td>
</tr>
<tr>
<td>44</td>
<td>Mr. Ramesh Prabhakar</td>
<td>Managing Partner - Rivoli Group LLC</td>
</tr>
<tr>
<td>45</td>
<td>Mr. Samer Abu Ltaif</td>
<td>General Manager - Microsoft Gulf</td>
</tr>
<tr>
<td>46</td>
<td>Mr. Tarek Rabah</td>
<td>President - AstraZeneca FZ LLC</td>
</tr>
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**Academics**

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<thead>
<tr>
<th></th>
<th>Name</th>
<th>Position</th>
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<tbody>
<tr>
<td>47</td>
<td>Dr. AbdulKhaled Abdulla</td>
<td>Professor of Political Science, UAE University</td>
</tr>
<tr>
<td>48</td>
<td>Dr. Abdulrahim Shahin</td>
<td>Professor of Political Science, UAE University and a member of the Federal National Council</td>
</tr>
<tr>
<td>49</td>
<td>Dr. Aisha Al Nuaimi</td>
<td>Assistant professor, Mass Communication Department, UAE University</td>
</tr>
<tr>
<td>50</td>
<td>Dr. Ali Al Ghafla</td>
<td>Chair of the political science department and associate Dean for social sciences, UAE University</td>
</tr>
<tr>
<td>51</td>
<td>Dr. Ateeq Jakka</td>
<td>Associate Professor and Assistant Dean for Research, UAE University</td>
</tr>
<tr>
<td>52</td>
<td>Mr. Bilal Al Budoor</td>
<td>Undersecretary for Cultural Affairs at the Ministry of Culture, Youth and Community Development. Chairman of the Arabic Language Protecting Association, and the General Secretary of the Emirates Culture and Science Association.</td>
</tr>
<tr>
<td>53</td>
<td>Dr. Fatma Al Sayegh</td>
<td>Associate professor of history at the UAE University, a well known Emeriti historian.</td>
</tr>
<tr>
<td>54</td>
<td>Dr. Hessa Lootah</td>
<td>Associate Professor at College of humanities and social science, UAE University</td>
</tr>
<tr>
<td>55</td>
<td>Dr. Maryam Sultan Lootah</td>
<td>Professor of Political Science, UAE University, a member of Dubai Economic Council</td>
</tr>
<tr>
<td>56</td>
<td>Dr. Mona Al Bahar</td>
<td>Former Professor at UAE University, a member of the Federal National Council</td>
</tr>
</tbody>
</table>
**Interview Questions**

### Dubai's vision and motives

**Question (1):** Dubai has witnessed remarkably rapid growth especially between 2002 and 2008. It is regarded as the world’s fastest growing city. What was the vision of Dubai? How did Dubai want to position itself?

**Prompt (1):** What was the motivation behind such a vision?

**Prompt (2):** Were there any regional factors that influenced and stimulated Dubai in deciding to pursue its rapid development plans and economic growth?

### The essence of the Dubai Model of economic development

**Question (2):** What is the essence of the Dubai model of economic development?

**Prompt (1):** What are the features/characteristics that describe Dubai’s economic model and made the city-estate excel?

**Prompt (2):** What are the incentives that Dubai offers to attract foreign investment?

### Dubai’s strategic economic initiatives

**Question (3):** One of the main economic initiatives is establishing various specialised free zones: DIC, DMC, DHCC, DIFC, etc. What is the aim of establishing these specialised free zones?

**Prompt (1):** Were the companies directly targeted? Or did they come because it made sense for their strategies?

**Prompt (2):** Were these companies likely to invest more and use Dubai as a strategic base?

**Prompt (3):** Did these companies invest in R&D? or, did they only open offices for sales, marketing and services?

**Prompt (4):** To what extent did these initiatives have a real chance of turning Dubai into a high-tech economy, knowledge-based economy, financial hub, healthcare...
**Dubai’s organisational/institutional structure**

**Question (5):** Most of the development plans were pursued by government-related entities within a unique centralised structure (the Executive Office). Let’s talk about the institutional structure of Dubai. Why was such a structure created? What is the rationale from legal, financial, executive and governance perspectives?

- **Prompt (1):** Is it for the purpose of control?
- **Prompt (2):** Is there any efficiency and performance management purpose?
- **Prompt (3):** Are there any political considerations?
- **Prompt (4):** Is this a good organisational structure?
- **Prompt (5):** Does this structure serve Dubai well?

**The GDP and Dubai’s strategy of economic diversification**

**Question (6):** By the end of the 1970s and into the early 1980s, Dubai had established industrial activities such as DUBAL in 1979, DUGAS in 1980, DUCAB in 1981 to diversify its economy away from oil. By 2008, manufacturing accounted for 14% of the GDP. So, did Dubai start to industrialise and was this later discarded?

- **Prompt (1):** Why didn’t Dubai expand its industries and manufacturing sector?
- **Prompt (2):** Why did Dubai start with manufacturing, then turn to building a services-based economy?

**Question (7):** Dubai’s strategy to diversify its economy away from oil resulted in an economy that is more dependent on trade, tourism, real
estate and finance. Was this market driven or private sector driven? Or centrally planned?

Prompt (1): Did Dubai see an opportunity? Or did it create the opportunity and the demand?

Question (8): The GDP sectoral composition in 2008. The major contributors were trade, restaurants and hotels at 39%, real estate and construction 23%, manufacturing 14%, logistics 8%, financial services 8%, and oil only 2%. Was this sectoral composition desirable?

Prompt (1): Is it in line with the economic objectives of the Dubai Strategic Plan 2015?

Prompt (2): Was this GDP performance intentional or unintentional?

The real estate sector in Dubai

Questions (9): Let’s talk about the real estate sector in Dubai that witnessed a massive boom between 2002 and 2008. So, what happened to the Dubai real estate market at this time?

Prompt (1): GRE (Emaar, Nakheel, Dubai Holding) invested heavily in massive real estate projects. Did these investments make sense from an investment point of view?

Prompt (2): Did these investments make sense from a financing point of view?

Prompt (3): What was the reason for the rapid introduction of new real estate projects by the GRE?

Prompt (4): The Dubai real estate market was fuelled by speculators who contributed to creating an asset bubble. Why did the government allow such speculation?

Dubai’s enthusiasm for attracting FDI

Question (10): Dubai was active in attracting FDI. Looking at FDI, as per 2008 statistics, 40% of FDI went into real estate and construction, and 37% into financial services. Does this FDI composition match Dubai’s 2015 objectives?

Prompt (1): Did Dubai attract the type of FDI that it wanted and aimed for?

Prompt (2): Did short-term return on property investments account for these FDIs?

Prompt (3): Major contributors to Dubai’s FDI
The impact of the global financial crisis on the economy of Dubai

Question (11): The global financial crisis imposed a new reality and challenges on Dubai. How do you see and assess the impact of the global financial crisis on the economy of Dubai?

Prompt (1): What is the impact on the financial status of Dubai? The total debts?

Prompt (2): Explain the highly leveraged economy, the accumulated debt of Dubai and its GREs. Why has the government allowed this since the GREs are reporting to the government? Where was the corporate governance?

Prompt (3): What is the impact on Dubai’s strategy and development plans?

Prompt (4): How about the impact on Dubai’s reputation and economic confidence?

Question (12): Many government officials mentioned in the media that Dubai is relying on its basic core strengths (trade, logistics and tourism). How did Dubai assess its status?

Prompt (1): How would Dubai want to re-invent itself?

Prompt (2): What are the factors that Dubai needs to take into account?

Prompt (3): Is Dubai relying on its basic strengths or should it also be thinking about developing new strengths?

Dubai Strategic Plan 2015 versus the economic performance

Question (13): The Dubai Strategic Plan 2015 versus economic performance. How would you assess the economic performance against the 2015 objectives?

Prompt (1): What is your view of Dubai’s strategy, which is to have a diversified economy although its economy is highly dependent on real estate?

Prompt (2): What is your view of Dubai’s economic development plans that are heavily
<table>
<thead>
<tr>
<th>Question (14): How would you assess the Dubai model of economic development?</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Prompt (1):</strong> The GRE used to focus on quick returns and business expansion and overseas investments. Why did this happen and why was it allowed to happen?</td>
</tr>
<tr>
<td><strong>Prompt (2):</strong> The Dubai model of growth was highly leveraged; why was this allowed to happen?</td>
</tr>
<tr>
<td><strong>Prompt (3):</strong> What can be changed or modified?</td>
</tr>
<tr>
<td><strong>Prompt (4):</strong> One of the criticisms is that Dubai drifted away and gave more attention to the real estate sector which created an asset bubble. Do you agree?</td>
</tr>
<tr>
<td><strong>Prompt (5):</strong> Were there any management style deficiencies? Was the competence, educational and professional background of the senior managers, prior to the crisis, adequate? American system versus British system. What about their managerial belief systems? This is in order to investigate whether Dubai has the right people to implement the strategy of the city-state.</td>
</tr>
<tr>
<td><strong>Prompt (6):</strong> How is Dubai addressing the issue of economic sustainability?</td>
</tr>
<tr>
<td><strong>Prompt (7):</strong> Are there any new economic or generic policies, rules and regulations?</td>
</tr>
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<tr>
<th>Question (15): How would you assess the local and federal responses to the financial crisis?</th>
</tr>
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<tbody>
<tr>
<td><strong>Prompt (1):</strong> Are these responses good enough to overcome the debts challenge?</td>
</tr>
<tr>
<td><strong>Prompt (2):</strong> Are there any more initiatives that you can think of?</td>
</tr>
</tbody>
</table>

**Assessment of the Dubai model of economic development**

**Question (14):** How would you assess the Dubai model of economic development?

**Prompt (1):** The GRE used to focus on quick returns and business expansion and overseas investments. Why did this happen and why was it allowed to happen?

**Prompt (2):** The Dubai model of growth was highly leveraged; why was this allowed to happen?

**Prompt (3):** What can be changed or modified?

**Prompt (4):** One of the criticisms is that Dubai drifted away and gave more attention to the real estate sector which created an asset bubble. Do you agree?

**Prompt (5):** Were there any management style deficiencies? Was the competence, educational and professional background of the senior managers, prior to the crisis, adequate? American system versus British system. What about their managerial belief systems? This is in order to investigate whether Dubai has the right people to implement the strategy of the city-state.

**Prompt (6):** How is Dubai addressing the issue of economic sustainability?

**Prompt (7):** Are there any new economic or generic policies, rules and regulations?
### Corporate Communication and Transparency

**Question (16):** The creditors and analysts are complaining about lack of clarity and transparency, especially with regard to Dubai’s total debts and whether the GREs are backed by the government or not. What is your view of corporate communication and the level of transparency?

**Prompt (1):** Moving forward, how should Dubai aim to manage its reputation and image?

### Political Implications

**Question (17):** Are there any political implications as a result of federal / Abu Dhabi assistance to Dubai?

**Prompt (1):** Did they take any stake in Dubai’s assets?

**Prompt (2):** Are there any restrictions in the future with regards to Dubai’s freedom in investment decision making?

### Lessons Learned

**Question (18):** What are the lessons learned in the short and long term?

**Prompt (1):** With regard to Dubai’s strategy for economic growth?

**Prompt (2):** With regard to its debt-financing strategy?

**Prompt (3):** Real estate sector?

**Prompt (4):** Corporate governance? Accountability and performance management?

**Prompt (5):** Management style and human development?

**Prompt (6):** What about addressing the issue of long-term economic sustainability?

**Prompt (7):** Communication and transparency?

### Further Comments

**Question (19):** Would you like to add anything further?

---

**شفافية (transparency)**

سؤال (16): الدائنين و المحللين كانوا يشكون من عدم الوضوح والشفافية وخاصة فيما يتعلق بإجمالي ديون دبي، و ما إذا كانت ديون الشركات مدعومة من الحكومة أو لا؟ ما هي وجهة نظرك بخصوص مستوى الشفافية في المعلومات؟

فرع (1): في المستقبل كيف يجب أن تدير دبي سمعتها ومصيتها؟

**التبعات السياسية**

سؤال (17): هل هناك أي أثر سياسي للمساعدة التي تلقاها دبي من الحكومة الاتحادية و من أبوظبي؟

فرع (1): هل حصلت أبوظبي على أي حصص في أصول دبي؟

فرع (2): هل ستكون هناك أي قواعد في المستقبل فيما يتعلق بحرية دبي في اتخاذ قراراتها الاستراتيجية؟

**الدروس المستفادة**

سؤال (18): ما هي الدروس المستفادة على المدى القصير والبعيد؟

فرع (1): فيما يتعلق بإستراتيجية دبي في النمو الاقتصادي؟

فرع (2): فيما يتعلق بإستراتيجية تمويل النمو الاقتصادي؟

فرع (3): تنظيم القطاع العقاري؟

فرع (4): تحكيم الشركات؟ المسابقة و إدارة الآداء؟

فرع (5): أسلوب الإدارة والتنمية البشرية؟

فرع (6): حول مسألة الاستدامة الاقتصادية على المدى الطويل؟

فرع (7): التواصل و شفافية المعلومات؟

**المزيد من التعليقات**

سؤال (19): هل تود إضافة أي شيء آخر؟
APPENDIX C: Interview Guide for Senior Managers in Banks and Financial Institutions

Interview Questions

Dubai’s vision and motives

**Question (1):** Dubai has witnessed remarkably rapid growth especially between 2002 and 2008. It is regarded as the world’s fastest growing city. What was the vision of Dubai? How did Dubai want to position itself?

**Prompt (1):** What was the motivation behind such a vision?

**Prompt (2):** Were there any regional factors that influenced and stimulated Dubai in deciding to pursue its rapid development plans and economic growth?

The essence of the Dubai Model of economic development

**Question (2):** What is the essence of the Dubai model of economic development?

**Prompt (1):** What are the features/characteristics that describe Dubai’s economic model and made the city-estate excel?

**Prompt (2):** What are the incentives that Dubai offers to attract foreign investment?

Dubai’s strategic economic initiatives

**Question (3):** One of the main economic initiatives is establishing various specialised free zones: DIC, DMC, DHCC, DIFC, etc. What is the aim of establishing these specialised free zones?

**Prompt (1):** Were the companies directly targeted? Or did they come because it made sense for their strategies?

**Prompt (2):** Were these companies likely to invest more and use Dubai as a strategic base?

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### Assessment of the Dubai model of economic development

**Question (14):** How would you assess the Dubai model of economic development?

**Prompt (1):** The GRE used to focus on quick returns and business expansion and overseas investments. Why did this happen and why was it allowed to happen?

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### Local and federal responses to the financial crisis

**Question (15):** How would you assess the local and federal responses to the financial crisis?

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**Question (16):** The creditors and analysts are...
complaining about lack of clarity and transparency, especially with regard to Dubai’s total debts and whether the GREs are backed by the government or not. What is your view of corporate communication and the level of transparency?

**Prompt (1):** Moving forward, how should Dubai aim to manage its reputation and image?

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**Political implications**

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The economic models, economic behaviour and practices are influenced and shaped by the political and cultural factors of any given country. The aim of this interview is to explore, explain and analyse the political and cultural features that influenced and shaped the Dubai model of economic development.

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| **The Federal-Local Governance Framework** | **في إطار الحكم الإتحادي المحلي** |
| **Question (6):** What is the relationship between the federal government and the local government? | **سؤال (6):** ما هي العلاقة بين الحكومة الاتحادية و الحكومة المحلية؟ |
| **Question (7):** The federal government of the UAE, from where the council, the council of ministers, the council of the emirates, and the prime minister of the council, to the point of this council’s establishment, had to face a number of council decisions and policies? | **سؤال (7):** الهيكل السياسي لدولة الإمارات، من حيث المجلس الأعلى للحكم، و مجلس الوزراء، و رئيس مجلس الوزراء، و المجلس الوظيفي الإتحادي، إلى أي مدى هذه الهيئات الإتحادية لها رأي وتأثير على سياسات وقرارات دي إم إم، في دبي؟ |
| **Question (8):** How does the law of the Dubai government apply to Dubai, in the case of a conflict between laws? | **سؤال (8):** كيف يتم تطبيق قانون دبي إم إم في حالة الصراع بين القوانين، في دبي؟ |

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271
Question (6): What is the nature of the relationship between the federal government and the local government at the emirates level?

Question (7): The political structure of the UAE, in terms of the Supreme Council of Rulers, the Council of Ministers and the Prime Minister, Federal National Council (FNC): to what extent do these federal bodies have a say in and influence Dubai's economic policies and decisions?

Question (8): The freehold law allowing expats to own properties in Dubai was a Dubai local decision, while this law was not introduced in the rest of the emirates. So, to what degree is each emirate allowed to manage its internal affairs?

Prompt (1): Is this something that the foreign investors and professionals regarded in the past as political risk in doing business in Dubai?

Question (9): What are the policies, economic and investment decisions that have to be made at a federal level and what is left for each emirate to manage?

Prompt (1): Are there legal bases or guarantees for these separations?

Informal Governance

Question (10): The nature of the UAE regime is based on networking, and characterised by a lack of documentation and by informality. So, besides the formal structure, there is an informal structure: "Dewan – Ruler’s court", "Majlis" “Shura” as a way of informal governance and consultation. How does this informal structure work? What is its role?

Prompt (1): What are the advantages and disadvantages of this informal structure?

Prompt (2): Is it democratic? Is it inclusive or exclusive?

Prompt (3): How does it influence the decision-making and policy-making process?

Question (11): Besides this informal governance, there is the Executive Council in Dubai. Where does this council stand? What is the role of the Executive Council in the policy-making and decision-making process?
| Prompt (1): What are the advantages and disadvantages? | تطور و تنغير البيئية السياسية على مر الزمن

سؤال (16): كيف تطورت و تنغيرت البيئية السياسية سواء لدولة الإمارات و كذلك إمارة دبي مع مرور الزمن؟ هل خدم هذا التطور نموذج دبي؟ كيف؟

| Transparency | 
| Question (12): To what extent can the performance of the ministries and the ministers be openly and transparently addressed, questioned and criticised? |
| Question (13): How would you describe the relationship between the UAE/Dubai nation, the state and the leadership or rulers? |
| Question (14): Critical issues are not addressed and discussed in public; normally, problematic issues are addressed and resolved internally and not in public. To what extent was this the case when Dubai was hit by the financial crisis and many analysts where addressing the lack of transparency and how Dubai got support from the federal government/Abu Dhabi? |

| In light of the financial crisis that hit the economy of Dubai |
| Question (15): Did the financial crisis impact or change the political relation or the governance framework between the federal government and the local government of Dubai? How and why? |

| Evolution/change in the political structure over time |
| Question (16): How has the political structure evolved and changed over time, if at all? How did this serve the Dubai model? |

| Cultural features of the UAE |
| Question (17): What are the cultural features of the UAE? |
| Prompt (1): How has it been influenced and shaped by the Islamic religion and the Bedouin way of life? |
| Question (18): What are the cultural features |
that influenced and shaped the Dubai model? Prompt (1): How did these cultural features influence the Dubai model? Prompt (2): Did the cultural features of the UAE support or hinder the Dubai Model? How?

Cultural features of Dubai

Question (19): How would you describe the cultural features of Dubai in comparison to those of the UAE? Are there any distinctive cultural features that distinguish Dubai, culturally speaking, from the UAE? Prompt (1): What are the common cultural features? And what are the different cultural features? Prompt (2): Is Dubai’s culture more diversified than the UAE’s? Prompt (3): How did the culture of Dubai influence the Dubai model of economic development? Prompt (4): Dubai is a global, multicultural city with diverse nationalities; how did this element influence the culture of Dubai, and accordingly the Dubai model of economic development? Prompt (5): How would you describe the value of tolerance, hospitality, accepting others? How did it influence the Dubai model of economic development? Prompt (6): Is there any kind of discrimination, e.g. gender discrimination, in the workplace or the right to education?

The culture of brotherhood support

Question (20): the concept of supporting each other, “al-ta’adud”, is a cultural value embedded in the Islamic religion and the Bedouin way of life; to what extent wa this practised when Dubai was hit by the global financial crisis and had to obtain support from the federal government/Abu Dhabi? Prompt (1): Some analysts said there would be political consequences for such support: Abu Dhabi would get shares in Dubai’s assets in return, restrictions would be imposed in the future on Dubai’s freedom to take investment

الملاحم الثقافية لإمارة دبي


ثقافة الدعم الأخووي

سؤال (20): مفهوم الدعم الأخوی "التعاضد- الإغاثة" هي قيمة ثقافية وجزء لا يتجزأ من الدين الإسلامي والطريقة البدوية في الحياة. إلى أي مدى كان هذا الدعم عندما تعرضت دبي للأزمات المالية، و على أنها تولدت على دعم مالي من الحكومة الاتحادية/أبو ظبي؟ فرع (1): ذكر بعض المحللون هناك تبعات سياسية لتمثل هذا الدعم، فهل أن أي تعبير سوف يحصل على حصول في أصول دبي، وميزة فرض قيود على حرية دبي لاتخاذ قراراتها الاستثمارية، ما هي وجهة نظرك؟

تطور وتغيير البيئة الثقافية على مر الزمن

سؤال (21): كيف تطورت وتغيرت البيئة الثقافية لدولة الإمارات، وكذلك إمارة دبي، مع مرور الزمن؟ هل خدم هذا التطور نموذج دبي؟ كيف؟ Fرع (1): تحتفل الإمارة، وماذا يشير ذلك إلى ذلك؟ Fرع (2): كيف تتغير البيئة الاجتماعية والثقافية ونظام الحكم؟ Fرع (3): كيف تُصف شخصية صاحب السمو الشيخ محمد بن راشد، كيف تصف سلوب إدارته و
decisions. What is your view?

The evolution/change in culture over time

**Question (21):** How has the culture evolved and changed over time, if at all? How did this serve the Dubai model?

The profile of the leaders

**Question (22):** Political structure and the culture of governance are shaped by the leaders. What is the role of H.H. Sheikh Mohammed in shaping the political structure, the culture of governance, and the cultural features in Dubai?

Prompt (1): How would you describe the personal leadership style of H.H. Sheikh Mohammed, and its influence in shaping the political and cultural structure of Dubai?

Further comments

**Question (23):** Would you like to add anything further?
ABSTRACT

The aim of the research is to assess the Dubai model of economic development in order to provide recommendations that can assist in achieving steady long term economic sustainability for the welfare of Dubai and its business environment.

Who have I been chosen?

The participant has been chosen based on his great experience in the economic history of Dubai and the initiatives that the government has taken to robust the economy. Moreover, more interviews will be conducted with policymakers, government officials, economists, business professionals and senior managers in private and public sectors in Dubai.

What would I be asked to do if I took part?

The interviewee role is to participate in the interview by answering questions about the economic history of Dubai, sharing views about the impact of the global economic crisis on the economy and the role of the government to minimize the impact. Upon obtaining the approval from the interviewee, audio recording will be used to comprehensively document the interview in order to ensure data accuracy. The key questions can be sent to the interviewee in advance. Moreover, the interviewee has the full right to keep his/her answers anonymous.

What happens to the data collected?

The data will be used to analyze the Dubai model of economic development and to provide recommendations for achieving long term economic sustainability.
The collected data will be used for academic purposes only. The data will be analyzed for the purpose of the research and the findings might be published in academic publications.

How is confidentiality maintained?

I am not seeking any information that might be regarded as commercially or politically confidential. The data will be stored and kept secure with the interviewer. Moreover, the participant have the right to participate with keeping the answers anonymous.

What happens if I do not want to take part or if I change my mind?

It is up to you to decide whether or not to take part. If you do decide to take part you will be given this information sheet to keep and be asked to sign a consent form. If you decide to take part you are still free to withdraw at any time without giving a reason and without detriment to yourself.

Will I be paid for participating in the research?

Payment arrangements to compensate the participants time, inconvenience and any out-of-pocket expenses are not applicable.

What is the duration of the research?

The duration of the interview is 90-minute. While, the overall duration of the PhD research is 3 years.

Where will the research be conducted?

The interview will take place at the interviewee’s office.

Will the outcomes of the research be published?

Details of anticipated outcomes and findings are subject to publication in academic journals.

Contact for further information

Email: nada.alshama@postgrad.mbs.ac.uk
Tel: + 44 (7) 563 380 654
Tel: + 971 (50) 6343966

What if something goes wrong?

The interviewee can contact the interviewer directly Nada Al Shama
Email: nada.alshama@postgrad.mbs.ac.uk
Tel: + 44 (7) 563 380 654
Tel: + 971 (50) 6343966

If a participant wants to make a formal complaint about the conduct of the research they should contact the Head of the Research Office, Christie Building, University of Manchester, Oxford Road, Manchester, M13 9PL.
**Sustainability of the Dubai Model of Economic Development**

**CONSENT FORM**

If you are happy to participate please complete and sign the consent form below

1. I confirm that I have read the attached information sheet on the above project and have had the opportunity to consider the information and ask questions and had these answered satisfactorily.

2. I understand that my participation in the study is voluntary and that I am free to withdraw at any time without giving a reason and without detriment to any treatment/service.

3. I understand that I have the full right to keep my participation and answers anonymous.

4. I agree to audio record the interview for academic use only.

I agree to take part in the above project

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<td>Research Department, and one Senior Economist.</td>
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<td>This group of 15 interviewees consists of three Presidents,</td>
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<td>two CEOs, three General Managers, one Deputy Chairman,</td>
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<td>one Managing Partner, one Chief Academic Officer, one Regional</td>
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<td>Director, one Territory Manager, one Chief Operations</td>
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<td>Director Officer, and one Executive Editor.</td>
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<td>100% of this group (15 interviewees) is non-Emirati.</td>
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</table>
This group of 10 interviewees consists of one non-academic and nine academics who are specialised in the political and cultural science with great familiarity of the political and cultural environment of the UAE and Dubai.

100% of this group (10 interviewees) is Emirati.
Based on the UAE constitution and the interview findings, it was noted that even the right of each emirate to retain separate existing flags was guaranteed by the Constitution in article 5: “the union shall have knowledge, emblem and national anthem, and the law shall define the flag and emblem, and each emirate maintains its own flag to be used within its territory” (UAE Federal National Council, 2010, p.5). This fact was mentioned by the majority of interviewees. One research participant commented,

“The formation of the Union did not result in asking the emirates to cancel their flags; the emirates themselves cancelled their flags and it was never asked of them.” (AC1)
**APPENDIX J: Quotations From the Interviews to Illustrate Common Understanding of Dubai’s Vision**

<table>
<thead>
<tr>
<th>Government Officials and Policy Makers (GO)</th>
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<tr>
<td>&quot;It was publically announced, in terms of Dubai’s plans, that Dubai was marching and it had succeeded to a great extent in becoming a global centre for trade, services, financial services, logistics, so the vision was for Dubai to become the Hong Kong or Singapore of the Middle East; and this has happened to a great extent, in certain areas to be more specific.&quot; (GO6)</td>
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<td>&quot;Dubai was known at that time, at the beginning of 1900, as a trade centre, so the vision of the leadership here is correct, that they realised this, utilised it and capitalised on it. They saw the opportunity and they built on it, so Dubai transformed from a trade centre covering the Emirates, to a regional trade centre, and now an international centre.&quot; (GO7)</td>
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<td>&quot;The vision of the leadership and the Sheikhs was to create a hub in this region, and they started to work on this accordingly. Sheikh Rashid had this vision in his head, so they started to think and discuss since this region is missing many things and is also facing many problems, they started and decided to build infrastructure at world-class level, and build transport and telecommunication with the East and West, and encourage the people and the investors to come here in order to establish certain industries or offer certain services, and this was the direction at the inception of the early developmental stage of Dubai.&quot; (GO16)</td>
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<td>&quot;The political leadership has already determined where Dubai is heading to; the vision of Sheikh Mohammed is for Dubai to be the best in everything it does, so the vision is clear, to be the best in the world in different fields of the economy, this is his vision, to become the best city in the world in terms of business, business environment, in terms of creating business opportunities, to be a hub in the region for logistics, financial services and tourism.&quot; (GO11)</td>
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<td>&quot;Historically Dubai was known as a trading hub basically with India and East Africa. Of course, the government realised that in order to sustain their position as a trading hub they needed to build the best seaport, airport, transportation, communication, and access to facilities and logistics. This is required for any city to become a trading hub, and we were aiming to become the trading hub so, historically, they thought how to function and how to operate Dubai to become a trading hub.&quot; (GO3)</td>
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<td>&quot;Dubai is to position itself on the world map was His Highness’s vision. So the vision of Dubai was to position itself to become the city of business and trade at that time for the region.&quot; (GO4)</td>
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“Dubai had to think differently and big; it is a very simple formula, so the idea was that we need to be 10 years ahead of everybody around us in order to maintain and retain being a hub. Dubai works very well being a hub for the region, and to be a regional hub you need to be ahead of the curve.” (GO2)

“The vision that Dubai actually announced at the beginning of its plan was to become a hub for many things, tourism, business, to service the whole region as a hub, and that vision which is attracting around 15 million visitors to Dubai drove everything that Dubai wanted after that.” (GO13)

“The strategy envisioned by His Highness, at that time the Crown Prince and now the ruler of Dubai, was to develop Dubai to be in the same league as first world countries; essentially, among the first world cities, we saw no reason to say that Dubai shouldn’t be in the same league as New York, London, Tokyo in the world.” (GO12)

“The vision is building on the strength of what Dubai has achieved so far, and expanding its role to become a centre for investments and business in the region.” (GO5)

“His vision in simplicity was to make Dubai a global city. In the early 70s and the early part of the 80s, Sheikh Rashid was very successful in making Dubai a GCC hub. In the late 80s, early 90s when he was just about to become a Crown Prince, he was very successful in making Dubai a regional hub. So it was a natural evolution for him to stretch the vision to 2010 and ensure it became a leading global city.” (GO8)

“I have seen the whole development of Dubai from being, you know, the little place it used to be in the 80s to the global city it has become. The vision has been to create a hub for the region, a hub in every sense of the word, whether it’s trade, finance, tourism, etc.” (GO10)

“The vision was to elevate the prominence of Dubai and establish it not just as a regional hub for certain industries but a global hub specifically for aviation and trade. So that is mostly the vision.” (GO9)

**National and International Banks and Financial Institutions (BA)**

“You see the vision of Dubai from what Dubai has achieved on the ground today, through the projects and the infrastructure, through the expectations of the leadership and the companies that are related to the government, thus the vision of Dubai is reflected in what Dubai achieved with its position today in the region and internationally, Dubai became a centre for trade and
commerce, connecting the East with the West, very strong infrastructure, comprehensive customer service system." (BA4)

“Dubai is the most attractive place to live and visit within the Middle East and to act as a hub and that is around business and as a financial centre, around a lifestyle proposition, to attract people to live here, as well as a tourist destination as well.” (BA14)

“When you look at what Dubai has done, they put themselves essentially at the centre of the region, their strategy seems for Dubai to be a hub and they are doing this in a number of sectors, across sectors; what seems to be happening, look at the logistics and aviation, and success to a degree by capturing business from European airlines, and the proposition is really I think toward meeting clients’ needs in the region.” (BA3)

“The vision of Dubai is I think defined by its leaders first of all and the fact that there is a very strong emphasis on business; it is very business oriented, so definitely this is something that is very strong. I think it is indisputable that Dubai has become and is and will remain, I am convinced, the hub for the GCC. Dubai will remain the main point of entry for foreign investors to access the GCC and the region, and maybe even a wider area than the GCC. What is very interesting is that Dubai is starting to become a hub not only for the Gulf countries but even for countries like Africa where a lot of banks typically or corporate industries are starting to base their African headquarters in Dubai.” (BA5)

“The Dubai model has historically been built on trade, services, tourism, logistics through Jebel Ali Port and the free zone, and I think the model works. Dubai has always been a trading port, and to create the infrastructure that makes Dubai the central business area of the Gulf and the Middle East I think is absolutely the right vision.” (BA12)

“The vision of Dubai started from His Highness Sheikh Rashid. Sheikh Rashid used to drive by himself all the initiatives and the development ideas, he used to drive and monitor the construction sites by himself, so actually the vision goes back to that time, from the beginning when Sheikh Rashid was the ruler of Dubai. By the way, the name of Dubai used to be “Al Wasil” which means “connection”, “to connect”. The vision is to become a trade hub and Dubai succeeded, it moved to the second stage which is to become a cosmopolitan global city.” (BA13)

“Dubai’s vision aspires to be a base for a global knowledge economy.” (BA10)

“Dubai is a centre for commerce, finance and general trading in the Middle East, it makes a lot of sense, and I don’t see this position being rocked very much. I think Dubai is the regional hub for many companies, no doubt, a lot of companies have their regional offices in Dubai.” (BA8)
“For me as a banker the vision of Dubai has become a very physical thing because I arrived here in April 2005 with one goal which was to set up the bank in the DIFC; the bank is one of the two banks, if you want, that have bet on the DIFC when it was not even built. The DIFC has become one of the major centres in the world.” (BA11)

“Dubai’s vision or model which they created is very unique for the GCC market, because they created a unique economy, created a population, created new jobs, and established new sectors, which all added together for a growth not only for Dubai but also for the country UAE as a whole, so from a banker’s side it is a good vision. It is favorable for us as bankers and we like it, so that’s the way that I look at it, and with regards to how Dubai wants to position itself, is to be a leader among the GCC and the emerging market, and to be a hub for the MENA region, because we have the European financial market, and we have the US financial market, we have the Asian but no such concept in our region.” (BA6)

“I can observe Dubai as a centre of trade, a centre of freedom, a centre of global interaction, a lab which is I think very positive, like an incubator you know for new ideas and challenging ideas, and I think they have done most of it. So I think Dubai to position itself as a global player and to be a trade hub, to be a centre of fresh air and freedom in this part of the world, a centre of change and introduction of new ideas, I think Dubai has done a great job already.” (BA15)

“Without a shadow of a doubt Dubai developed an economic model which stood out by comparison with its regional peers and was of genuine international significance and quality, the boom of 2002-2008 was the acceleration of a longer-term economic story that was premised on the export of services. Those services were tourism services, banking services, wholesale and logistics, hub services and for institutions like us that was the economic model and Dubai executed it with great success.” (BA7)

Private None-Financial Sector (PS)

“Dubai positioned itself as an entertainment, tourism, and consumption hub for the Middle East, for Africa, and for South Asia. So whether it is Africa or the Arab World, Dubai was the hub for that.” (PS10)

“Dubai’s vision: it has already become a global hub. Dubai is a great hub to support growth markets.” (PS1)

“I think the vision that Dubai had and I believe still has around positioning itself as the primary city in the Middle East, and I guess broader than just the Middle East as a vehicle for business, and being incredibly business friendly, and easy to operate in, in other words to attract
organisations to attract corporations, this has set Dubai apart from the rest of the Gulf cities. Dubai’s vision in terms of saying we will be a global city, we will be a city that facilitates and encourages people, investments, setting up of businesses, setting up education and healthcare environment, it really has set it apart." (PS2)

“I think it was a very healthy vision. To begin with, I speak not only as somebody who works for this organisation, but also as a person living in Dubai for 21 years, and I saw Dubai from the beginning. I think the vision was very healthy, and to position a city in the middle of the desert, in the middle of a turbulent region as a haven and oasis in terms of stability, business development and it is a family place.” (PS5)

“I think Dubai today is in a favourable position as a logistics, trade, and tourism hub on a global basis, and it is definitely on the global map; I mean that vision hasn’t really only started now, it took many years as you know starting with the vision of Sheikh Rashid, the Creek, Jebel Ali Port. Dubai very much positioned itself as a clear hub for tourism, trade and logistics, and at the end of the day you know it built itself. There is Singapore, there is Hong Kong, they aren’t regional centres that built themselves as fast as Dubai has.” (PS15)

“I think it succeeded in being a hub, from the days of the development plan that was started by Sheikh Rashid, because there were major flagship projects which succeeded in positioning Dubai or helping Dubai to develop further, toward becoming a hub. I believe that Dubai succeeded specifically in that period of time and even now it is a role model of management and economic development in the region; for sure it served as a role model in the region, when I am talking about the region I mean the whole MENA region countries.” (PS8)

“My view is that Dubai wanted to present itself as frankly the link between the East and the West, to be the Singapore of the Middle East, where you would see both services as well as manufacturing come to Dubai, take advantage of various incentives that the government were making, and the beneficial economic climate, to come and set up businesses here, this actually dates back to Sheikh Rashid Bin Saeed’s time, before Sheikh Mohammed took over, and you have seen an amazing progress over the last 20 or 30 years as a consequence of that.” (PS12)

“I think this is definitely a very visionary step taken by the government of Dubai, and Dubai has always been taking such steps right from the days of Sheikh Rashid, I can also say the days of Sheikh Saeed, Sheikh Rashid’s father, if we see and studied the history. Dubai wants to be a hub in the region.” (PS14)

“The government objective is to lay out the infrastructure, which is absolutely state of the art, for the private sector to benefit and create business. So I think it is the issue of the emirate being very focused on investing in infrastructure, all aspects of infrastructure, and the private sector to
couple with that to create a business environment which is productive and very outstanding in the region and globally. We are clearly today a logistics and central hub for south Asia in general, and besides that it is a commercial infrastructure, it is a banking and financing infrastructure, as well as hospitality infrastructure, we have got all of it.” (PS11)

“I think Dubai has seen steps forward from just diversification into services as such where we see the banking sector as a hub, trading obviously, logistics where no one competes with Dubai, to the extent that Dubai decided to really open a new frontier; take tourism today, I mean Dubai is today on the map.” (PS3)

“The vision of Dubai is honestly inspiring for the whole of the emerging markets and particularly the Middle East; I think we all of us dream that the Middle East will one day be a kind of big Dubai, that is basically how we look at the example of Dubai and how we look at the vision of Dubai being something important in the future. Dubai was put on the map for investments, we look at it very positively, Dubai positioned itself as a centre for the Middle East. If we would like to invest somewhere in the Middle East we will always think about Dubai as the centre, and that’s basically what these policies and the vision of the economic development of Dubai brought into effect for us.” (PS7)

“The vision was clear and this is how I look at it, they wanted Dubai to be a unique hub, and also to grow and to put themselves on the map, the international map, they succeeded because I can tell from the first couple of years since I moved here, at the beginning my colleagues back in US, when I used to mention that I am based in Dubai, they kept asking me where exactly is Dubai. After two years I can assure you that a lot of people started to know about Dubai, they started to even look for a possibility for them to come over and visit Dubai, because Dubai managed to put its name properly on the international map.” (PS4)
APPENDIX K: Vision and Objectives Mentioned in Dubai Strategic Plan 2010

- Dubai to become the symbol of what a knowledge economy can achieve.
- Dubai to become emblematic of a mindset of innovation, dynamism and entrepreneurship. It will be synonymous with high added-value creation, high-tech and a spirit of excellence and integrity.
- Dubai will become the benchmark showing how a well-implemented strategy focused on the optimum use of existing and new assets, on well-defined positioning and on the impact of ‘networking power’ can create successful new business both large and small.

(Sampler and Eigner, 2008, p. 65)