DUBAI STRATEGY: PAST, PRESENT, FUTURE

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Harvard Business School, February 27, 2007

Sponsored by the DUBAI INITIATIVE, Belfer Center for Science and International Affairs, John F. Kennedy School of Government, Harvard University

I. Introduction

Dubai is a monarchy, with all power leading towards a single person. Dubai has non-transparent government financials. Dubai is situated in a region that is strife with conflict, fundamentalists, and hostile countries including Iraq, Iran, and Pakistan. Dubai is located in the desert where temperatures can reach 130°F in one of the most humid locations on the planet.

Yet, despite all this, Dubai, a tiny city-state, located in the Persian Gulf has undergone an impressive transformation over the last four decades, managing to shift their economy from that of fishing and trading to tourism, mass communications, shipping, and finance. Dubai has created for itself an image synonymous with luxury, multi-billion dollar real-estate ventures, 12 million visitors in 2005; and as Vanity Fair has described it, a “city on crack”.[i]

II. Creation of Dubai, Inc.

But how did Dubai begin her transformation? Locals attribute the key milestones to be the dredging of the creek and the establishment of Jebel Ali Port (in the late 70s), both under the sterwardship of Sheikh Rashid Al Makhtoum, [ii,iii] and finally the ascension of Sheikh Mohammed as ruler of Dubai. Sheikh Rashid understood that compared to its neighbors, Dubai had a limited supply of oil and gas reserves (1/20th the reserves of Abu Dhabi) that would run out by 2010 and was determined to build up Dubai’s economy so that could it survive the end of the oil boom. His famous quote was "my grandfather rode a camel, my father rode a camel, I drive a Mercedes, my son drives a Land Rover, his son will drive a Land Rover, but his son will ride a camel." This quote signified Sheikh Rashid’s understanding of the risks involved with the end of petrol money. Many have argued that Dubai’s success has been one of luck rather than a thought-out development strategy. We intend to argue that Dubai has been on a pathway set for nearly thirty years, and while the rate of growth in the last decade may have been surprising, the actual growth is not. Dubai’s Minister of Finance claims that there is a legend among the locals that in fact Sheikh Mohammed (the current ruler of Dubai) has only implemented one of the three strategic road maps that Sheikh Rashid planned for Dubai. Whether true or not, the economic development path of this tiny city-state, in the minds of the citizens, is largely attributed to their early rulers.

Boats and Planes

By establishing itself as a hub of trade by sea and a center of tourism and business travel by air. The Mina (Port) Rashid was completed in 1972 and by 1978 the port had increased to 35 berths - including five berths large and deep enough to handle the largest container vessels. By 1979, the Jebel Ali Port was completed, located 35 km southwest of Dubai, and became the world's largest man-made harbors and the biggest port in the Middle East. In fact, by 1979, Jebel Ali Port ranked alongside the Great Wall of China and the Hoover Dam as the only three man-made objects that could be seen from space.[iv] The Jebel Ali Free Zone quickly followed in 1985 with an airport currently under construction. The facilities are a significant distance from Dubai, in the midst of the desert and when initially planned, Sheikh Rashid's advisors did not believe that the Jebel Ali Port would be successful.[v] Jebel Ali is also home of DP Ports, one of the world's largest port operators. The development of the ports was also a slow, step-by-step process by Dubai, which had been known as 'the city of merchants'. DP ports has since become the #3 operator in terms of global coverage and #1 from Australia to Caribbean.[vi] In 2004, Dubai was the third most important re-export center in the world trailing Hong Kong and Singapore with imports more than doubling between 1998 and 2004.[vii]

Sheikh Rashid's strategy was to build on Dubai's successful history as traders. From its earliest history, Dubai was a trade hub from pearls to textiles. Many of Dubai's prominent families built their financial empires not on oil (like neighboring Abu Dhabi) but on successful trade with Europe, Middle East, and South Asia. This history is still engrained in the minds of the modern generation of Dubai's prominent families.[viii] This set a cultural norm from the leadership of Dubai, planting the seeds for a people open to the west, foreigners and their culture. Unlike other Arab kingdoms whose borders were practically closed to westerners and those that were open forced expatriates within fenced communities, Dubai citizens lived and worked with their foreign partners. When the first bars opened in UAE, the local response was nearly muted. And it is this very culture and openness that has now propelled Dubai past its GCC neighbors in terms of FDI.

In addition to the creation of the ports, Sheikh Rashid placed air travel as a top priority for Dubai's development. The Dubai airport was established in 1959, early in terms of Dubai's economic situation at the time. In fact, Sheikh Rashid purchased the plans for the airport construction from the Ruler of Qatar who sanctioned a study to build an airport in Qatar, but after local disapproval, the plans weren't carried through. To complement the airport, Dubai established its airline, Emirates Airline, in 1985 with a $10 million USD capital infusion from the Dubai government.[ix] Emirates Airlines has now become one of the most successful airlines in the world. For 2004–05, Emirates paid an increased dividend of Dh368 million ($100 million USD) to the Government of Dubai, compared to Dh329 million the year before. In the first six months of the current financial year, Emirates Airline has reported a net profit of US$323m, up 29% from US$251m for the same period last year.

The Dubai Government is still the sole owner of Emirates Airline, despite not putting any money into it except the original $10 million USD.

Another important initiative of the late Sheikh Rashid was the creation of the Dubai World Trade Center which was built in 1979, standing 39 stories, it was the largest building in the Middle East at the time. It has evolved as the center of the largest exhibition center in the Middle East with 7 exhibition halls. The World Trade Center now also hosts government think tanks such as the Dubai School of Government which has partnered with the Harvard Kennedy School of Government as a center of policy research and training for Dubai and the region's future government officials.[x]

Dubai, Inc. was now up and running. While Abu Dhabi and neighboring countries were busy building their economies around the vast oil reserves, Dubai was developing an economy that would be founded upon trade, business, and an airline to link it to the world.

Business Parks and more Business Parks

Sheikh Mohammed bin Rashid Al Maktoum is considered by many locals as responsible for Dubai's next phase of development. He is responsible to setting the "Dubai Vision 2010" which would attract the world's top companies to transform Dubai to a knowledge-based economy. And in 2006, it is working: one fourth of the world's global 500 companies have a presence in Dubai.[xi] In fact, between 2004-2009, Dubai has earmarked $40 - $60 billion USD to projects like Dubailand, The Palm and the Dubai International Financial center (DIFC), a cluster initiative dedicated to the financial industry.

By the time Sheikh Mohammed had begun his rule, the concept of a free-zone was already well established in the GCC, pioneered by the Jebel Ali Free Zone. A free-zone created a more liberal regulatory environment which not only included freedom of ownership and management without taxes, but also a simplified approach to documentation and government regulations. What was new was the creation of business parks dedicated to specific industrial sectors. And, in 1999, the Dubai Internet City was announced, Dubai's first fusion business park/free-zone. 364 days later (as a testament to Dubai's speed) the result was 30 square million feet of land with 4 buildings representing 1 million square feet of leasable space. One hundred and eighty tenants had joined in the first year including Microsoft, Oracle, IBM, Dell, Siemens, Canon, and SonyEriccson. As Wadi Ahmad, Director of Marketing stated:

> "We have made Porter's theory a reality. If you bring all the companies from the same segment together, channel development opportunities materialize. It's real life networking. It is bringing the integrator together with the software developers. Our ICT cluster includes 600 companies working within 2 km of each other. Our clients set up joint ventures together and do trade together. We are the only managed entity in the work to house that many brands. Everyone who is anyone in the

> industry is here. Silicon Valley has some similarities but it is an area, not a single managed entity."[xii]

And with the successes of Dubai Internet City, business parks began springing up all over Dubai: Dubai Media City, Dubai Studio City, Dubai Health Care City, Dubailand, Dubai Humanitarian City, Dubai Knowledge Village, Dubiotech, and Dubai Industrial City. And with each park came revenue from land sales, revenue that was re-invested in new business parks.

Hotels, Gucci, and Snow Mountains

With a clear business park/freezone-cluster development strategy being implemented in Dubai, Sheikh Mohammed turned to his second objective, transform Dubai into a tourism destination. The Jumeirah group was established in 1997 to develop and operate five-star luxury hotels in Dubai and more recently the world. Creating land-mark hotels such as the famous Burj Al Arab and Medinat Jumeirah (which is part of a traditional Arab city full of bazaars, canals, and luxury spas). In 2004, the Bab Al Shams resort was built in the desert as a luxury desert oasis and spa. By 2006, Jumeirah International had purchased international properties such as The Essex House (Central Park, NYC). Jumeirah is currently boasting an average occupancy of more than 90% across its many properties, some of the highest in the world.[xiii]

With hotels and luxury resorts in place, the next challenge was to create attractions for tourists, this was accomplished in two ways: (1) world class shopping and (2) unique, world-class projects. Whether it was through the famous gold souks or the top couture fashion boutiques, Dubai has established itself as a shopping destination. This is further supported by Dubai's infamous shopping festival known as the Dubai Shopping Festival in which 3,000 retail outlets and 40 shopping malls offering huge discounts.[xiv] The shopping festivals coupled with mega-projects such as The Palm, The World, the Burj Al Arab, Dubai is now placing itself on the global map beyond business but as a major tourist destination.

III. Economic Profile

Over the past decade, Dubai has recorded significant GDP and economic growth, primarily driven by the non-oil sectors. Dubai represents approximately 29% of the UAE's GDP and in 2005, Dubai's GDP recorded a nominal growth of 27%.[xv] Compared to other emirates and countries in the region, Dubai has relatively little oil and as previously mentioned, its reserves are estimated to last about another 10 years.[xvi] As a result of this, Dubai has encouraged private sector activity and had been very successful in creating a diversified economy which is no longer primarily reliant on oil and hydrocarbons. Exhibit 1 shows that only 5.4% of Dubai's GDP comes from the oil sector with the dominant sector now being trade and repairing services, which in 2005 represented 22.8%, emphasizing Dubai's dominant position as a trade center. Other major drivers of economic growth include manufacturing, construction, real estate, financial services and transport storage and communication also shown in Exhibit 1.

Dubai has grown very aggressively in many sectors including tourism where Dubai leads the region with innovative and modern multi-billion dollar projects. Dubai also focuses on attracting business conferences, new festivals and also high profile sporting events to the country, in addition to heavily investing in advertising to promote Dubai as the tourist destination in the Middle East. Exhibit 2 shows the significant increase in tourism numbers over the past 5 years which demonstrates the success of these initiatives. Dubai's strategic positioning midway between Europe and Far East has assisted this tourism growth, but has also led to a strong trading and transportation hub with a large re-export market. Exhibit 2 also shows the increase in transportation and freight numbers from 1990 to 2001. As has been previously described, over the decades Dubai has heavily invested in large infrastructure and companies such as ports, airports, Emirates Airlines and Dubai Ports which leaves this small emirate very well positioned to capture this market. Exhibit 3 highlights Dubai's increasing role as a major re-exporter and hub in the region – exports from Dubai to other GCC countries increased 49% to AED 19.2 billion in 2005 with Saudi Arabia being the dominant trade partner.

In addition to trade and tourism, much of Dubai's economic prosperity is due to its booming real estate and financial services sectors. Construction contributed 11.9% to total Dubai GDP and Dubai represented 48% of total construction in UAE. As demonstrated in exhibit 4, Dubai has a vast range of projects in its construction pipeline that represents approximately $25 billion. In addition to the projects currently in construction there are many other ambitious projects being planned for the next 10 years including Dubai Land, Dubai Light Rail Transport and redevelopment of Dubai's World Trade Center.[xvii]

Real estate has also been a key driver of growth and has been a steady and robust performer over the past 5 years. The vision of the government to turn Dubai into the trade hub of the region has stimulated interest and much economic activity. Factors that have been critical to the strong development of this sector include property rights, transaction costs and capital gains taxes. With the opening up of the market to allow freehold ownership of properties to foreigners in Dubai there has been an excess demand for buildings relative to the supply. International investors have driven a huge demand for properties and over the past few years, given the limited supply, prices and rents have sharply increased. Real estate prices and returns are expected to stabilize over the coming years as supply begins to match demand with the entrant of new private developers such as Emmar, Nakheel and Dubai Properties.[xviii]

There also appears to be a significant relationship between the real estate sector and the financial sector in Dubai. Exhibit 5 shows a statistical significance between the trends in share prices of companies in the finance sector and real estate sectors. The finance sector represents almost 10% of Dubai's GDP and has been growing strongly. Dubai also wishes to position itself as the financial services hub of the Middle East and the DFM (Dubai Financial Market) commenced operations on 26th March 2000.[xix] Dubai is also currently developing a banking “free zone” called Dubai International Financial Center (DIFC) and is replicating global best practices. The UAE’s capital markets have also undergone rapid growth and development in recent years. The DIFC launched the Dubai International Financial Exchange (DIFX) in September 2005 and the Dubai Gold and Commodities Exchange (DGCX), the Middle East’s first gold exchange was started in November 2005.[xx] As of 31st May 2006, the DFM comprised 34 public joint stock companies with a total market capitalization of AED 316 billion. The DFM is highly concentrated in a few companies and hence due to these dominant businesses, individual movements of stocks can swing the overall market to a significant extent. Exhibit 6 shows the DFM performance from May 2000 to May 2006. It is interesting to note the sharp market decline in 2006 which is very difficult to explain in terms of market fundamentals. Potential reasons for this sharp decline may include lack of investors confidence due to limited transparency and lack of trust in financial statements and analysts recommendations. Speculative trading and desire to cash in on market gains are additional explanations for the change in investor confidence.[xxi]

Other factors that have contributed to the economic growth and activity are due to the government’s vision including strategic and policy changes. Free-zones in Dubai have attracted a lot of FDI from foreign owned companies. These economic free-zones have various economic incentives to encourage investment and commercial development and examples include the Internet and Media Cities, the International Financial Centre, Maritime City, the Airport Free Zone, and the Jebel Ali Free Zone. The United Arab Emirates has also pegged its currency to the US dollar which gives investors relative confidence. From an export perspective this currently makes Dubai very attractive and puts it in a very competitive position. However, pegging the currency to the USD also has other implications which will be discussed later with the challenges that are currently facing Dubai.

IV. Why Dubai?

Western investors have turned to Dubai to establish their regional headquarters while young entrepreneurs are creating companies in this tiny emirate; yet, with Qatar, Bahrain, and Oman establishing similar incentives on paper, why is Dubai still the destination of choice? We argue it is due to three drivers: (1) speed, (2) culture and (3) Governance.

Dubai has astonished its western partners in the speed from project idea to launch.[xxii] In a region where speed is not known, Dubai’s growth rate is one of the highest in the world. Sheikh Mohammed has established a reputation for being notorious for his time requirements. He has taken projects away from prominent families because of delays; in fact, one requirement to invest in the free-zones, development must begin within 24 months. However, speed has its disadvantages including poor construction quality and labor abuses.

Pro-western culture has also been attractive for the foreign investor. Dubai is notorious for being open to western culture, full of night clubs, world-class restaurants, and open to alcohol consumption. Locals and expatriates live and work together, creating a nurturing environment for the western expatriate. While other countries have attempted to create similar incentives for FDI, they still lack the cultural platform to support new entrants and this may remain the most significant challenge for new market entrants, attempting to capture a share of this emerging market.

The third strategic point for Dubai that makes it stand out is its attempt to improve governmental transparency. Gulf countries are notorious for their lack of transparency in government finances as well as how the royal family's finances are intertwined with the government. Dubai hopes to change that, first by creating an executive council which would serve as a legitimate forum for governance as well as improve financial accountability among the Ministries (known in Dubai as Departments).[xxiii] In addition, free zone governances have also been incredibly thorough in order to maintain credibility among large multinationals. For example, the Dubai International Financial City (DIFC) modeled their regulatory framework after many of the UK charters, even the royal government can (should this say cannot Michael?) intervene in the governance of the DIFC.[xxiv]

Dubai is also very open from a religious perspective and this is another differentiating factor from other countries in the region. While Islam is the official religion of the UAE, Dubai is very respectful of other religions. Foreigners are free to practice their own religion. There are a number of inter-denominational churches in Dubai including Holy Trinity and United Church of Dubai (UCCD), St Mary's Roman Catholic Church [xxv] and a collection of Christian churches in Jebel Ali Free Zone (St. Francis of Assisi Church, Mar Thomite Church, the Anglican Church, Syrian Orthodox Church and the Dubai Evangelical Church Centre).[xxvi]

V. Why not Dubai?

The rapid growth and fast pace of Dubai's economic development also brings with it challenges and problems which need to be addressed. Some of these potential issues include inflation, revaluation of the currency, talent drain, increasing inequality between the classes, clash of cultures, transparency, expatriate community integration, allocation of resources, leadership and the potential for the 'bubble to crash'.

Leadership and governance is increasingly important and complex as Dubai grows to a high profile and dominant position in the Middle East. It is very important to balance economic growth and prosperity with traditional culture and norms. As the economy develops and life becomes increasingly complex, it becomes more and more difficult for Sheikh Rashid to anticipate the need's of Dubai's population. In addition, conflicts of interest are also appearing that may mean what is best for Dubai Inc. is no longer best for the overall population of Dubai.[xxvii] An example of this is the increasing traffic problem in Dubai, which could be solved with more roads. Dubai's authorities have apparently refused to build the extra roads however, due to the fact that this would lower property prices in Dubai and raise them in Sharjah due to increases ease of access. It is speculated that this may be true due to the levels of investment that Dubai's ruling family have in the Dubai real estate market. Dubai's lack of democracy is also a concern for investor confidence and from a transparent political and business perspective.

In addition, global terrorism is an increasing concern particularly in some of the countries in Dubai's neighboring regions. Dubai's increasing dependence on tourism and its increasing high profile status leaves it particularly vulnerable to terrorist attacks. In addition to the potential of terrorist attacks, Dubai could struggle to meet its ambitious tourism targets due to aircraft delays. Emirates Airlines has very aggressive expansion plans and has ordered 43 A380s from Airbus Industrie, a European aircraft manufacturer which announced long delays in delivering these double-decker aircrafts.[xxviii]

There are also social implications of this rapid economic growth. The majority of people living in Dubai are foreign workers and particularly in the construction sectors, these workers come from Asia with the dream of earning good wages and moving to a better life. The reality that they find once they reach Dubai is very different. Workers live in labor camps an hour outside the city in the deserts and live in very small, cramped rooms. Human Rights Watch have said that Sheikh Mohamed and the UAE government have done very little to protect workers rights. These foreign laborers are working in a system where they are not free to leave their job, where their passports are withheld and employer's consent is required to change jobs. In addition, safety and the safe working conditions of these laborers are a growing concern, where hundreds of them are dying either from heat exhaustion or from falling off the high rise buildings that they are constructing.[xxix]

As Dubai's population increases there are infrastructure and transport challenges. In addition, the high inflation rates are leading to an increased cost of living and higher costs for businesses, making Dubai relatively less attractive. Individuals and businesses are beginning to look towards some of the other surrounding emirates and countries as alternatives. The surrounding regions are looking to increase foreign investment and hence they are beginning to replicate some of the free zones and methods of attracting foreigners to invest in their countries. Dubai free zones are being given a run for their money as regional free zones expand and upgrade as they try to lure investors from Dubai to other Arab countries. If something is not done to control the skyrocketing costs in Dubai, free zones could see an outflow of companies to other regional free zones offering the same facilities but having lower operational and production costs.[xxx]

The fast pace of construction in Dubai has also led to questions over the sustainability of the building and construction quality. It has been rumored that some of the large construction projects under-taken in Dubai, when they were tested for building quality, were found to leak from the floors and roofs. Speed and fast development can be very beneficial for economic growth, but if not achieved in a sustainable and quality fashion, this will lead to long term problems and require many repairs. Other challenges which the high speed is causing include lack of prioritization and wasted resources.

Other challenges for Dubai include building a strong talent base of Dubai nationals and becoming less reliant on foreigners and expatriate workers to help lead Dubai to the next phase of economic growth. Also, cultural differences between UAE nationals, expatriates and tourists need to be carefully managed to ensure that cultural traditions and standard of living are maintained. Also, the sharp decline in the stock market as witnessed earlier in 2006, shows the volatility of the stock market and its reliance on investor confidence. The decline in the market even though there was no change in economic fundamentals, leads me to be concerned for the fickleness and transience of the capital in the DFM. In addition, the dependence of the UAE Dirham on the dollar is of concern. The dollar has declined relative to other major currencies and as the AED is pegged to the USD, the cost of imports to Dubai has increased and the value of the AED has also decreased. From a foreign investment perspective, capital invested in Dubai is subject to a depreciating dollar and hence declining in value. Kuwait has revalued its currency and leaves the question as to whether the UAE will revalue the Dirham in the future. Currently using the Big Mac Index and on a PPP basis, the UAE Dirham appears to be under-valued (however, relative to the other GCC countries is the least under-valued).[xxxi] This undervaluation is good for Dubai's competitiveness and exports, however may cause other economic problems such as high inflation and issues regarding imports.

Finally, the Dubai World Ports fiasco which occurred in February 2006 has damaged the reputation of Dubai and has set the company back in terms of international publicity.

VI. Beyond Dubai

Dubai's phenomenal growth over the past decade has spurred a great entrepreneurial spirit and led people to have even greater dreams and visions. Dubai's next phase of growth includes international expansion. Dubai has changed from a region heavily reliant on oil and hydrocarbons to a truly diversified economy. The next phase is to diversify their investments and holdings geographically. Dubai will continue to focus on its ambitious internal development including all the aspects discussed in this paper with particular emphasis on their huge construction projects, tourism and the financial markets.

International investors have found Dubai to be an attractive investment opportunity and now Dubai is similarly looking to expand its global reach. Clear examples of this international diversification include the Dubai Investment Group which is the global financial investor of Dubai Holding and has local presence in New York, London, Hong Kong and Kuala Lumpur. In the tourism sector, Jumeirah was established in Dubai in 1997 and now has the goal "To be a world class international hotel and hospitality company, committed to being the industry leader in all our activities through dedication to our customers and colleagues".[xxxii] They already have hotels in London and New York and have announced new plans for Asian expansion. In transport, trade and logistics, DP World is one of the global leaders in international marine terminal operations and development, logistics and related services and is headquartered in Dubai. In addition to traditional businesses, Dubai is looking at investments in other sectors too – such as investing in sports teams such as Liverpool Football Club in UK.

As is clearly seen, Dubai businesses are expanding not only within UAE and Gulf Region, but are truly expanding and making investments globally. Sheikh Mohammed's goal to build Dubai into a major commercial and economic center is becoming a reality. The real questions are how do they sustain the momentum and ensure long term growth sustainability of the investments?

Exhibits:

Exhibit 1:

Table 1: UAE and Dubai Sectoral Shares to Nominal GDP in Million AED (2004-2005)

Economic Sector	Dubai		UAE	
	2004	2005*	2004	2005*
Agriculture	818	947	10,100	11,028
Mining & quarrying	6,791	7,577	124,089	174,114
Manufacturing	16,159	19,967	49,546	61,194
Electricity, gas, & water	1,628	1,938	6,720	7,935
Construction	13,474	16,640	28,468	34,980
Trade & repairing services	22,084	31,977	38,682	52,998
Restaurants & hotels	4,189	4,987	7,343	8,946
Transport, storage, & communication	15,149	18,035	27,263	32,642
Real estate & business services	11,724	14,526	29,540	35,920
Social & personal services	2,903	3,649	6,951	7,607
Finance & insurance	10,498	13,474	22,318	28,426
Government services	7,645	9,413	32,201	34,735
Total	110,654	140,200	378,761	485,513

** Preliminary*

Figure 1: Dubai Sectoral Contribution to GDP, 2005

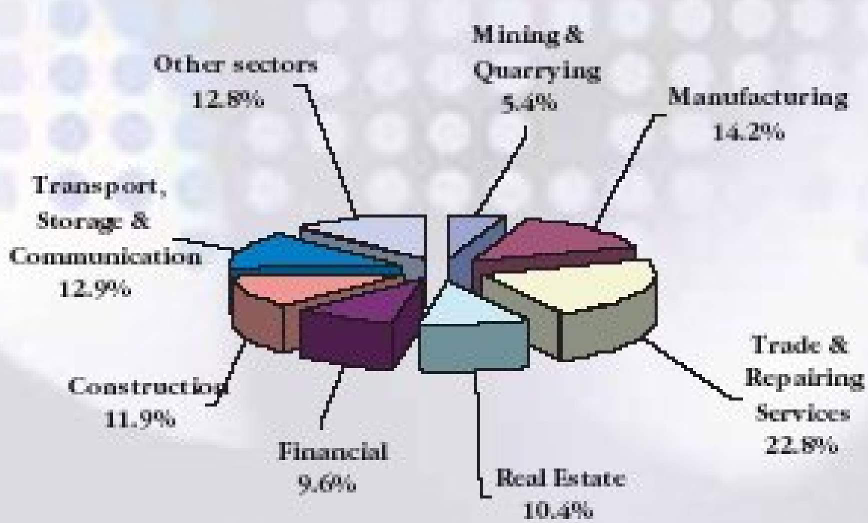
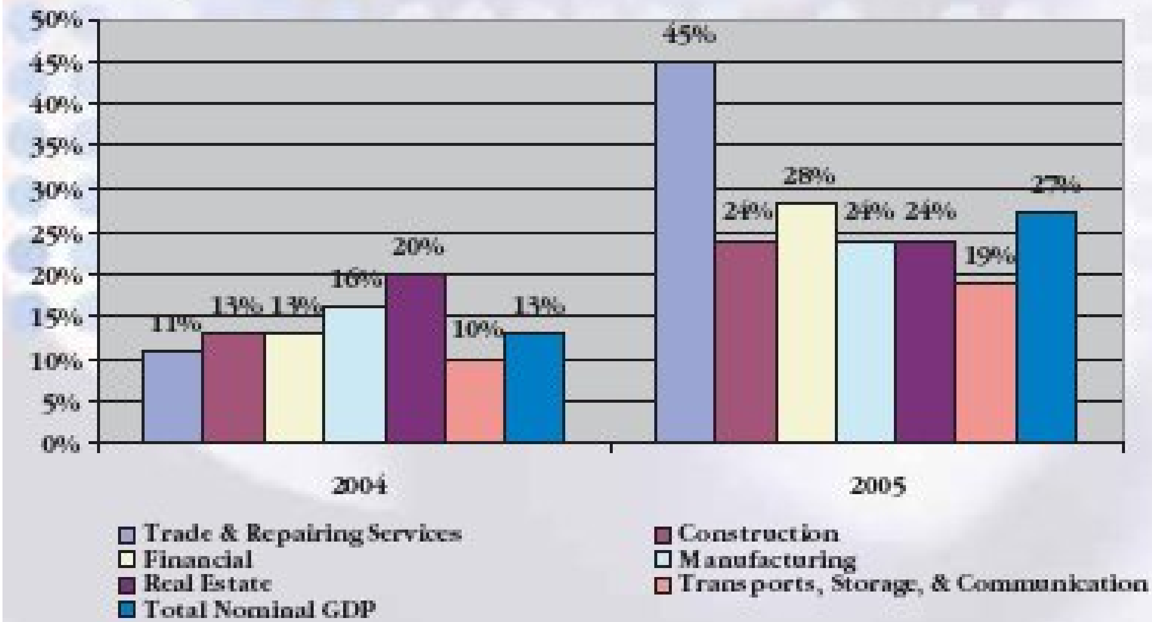


Figure 2: Growth of Selected Dubai Sectors (2004-2005)



Source: UAE Ministry of Economy ;, “The Economic Bulletin, September 2006, Volume 3, Issue 27”

Exhibit 2:

Throughput at Dubai International Airport

	2001	2002	2003	2004	2005
Passengers ('000)	13,508	15,973	18,062	21,700	24,782
Freight ('000 kg)	610,866	764,193	940,595	1,111,647	1,333,014
Aircraft	134,165	148,334	168,511	195,820	217,165

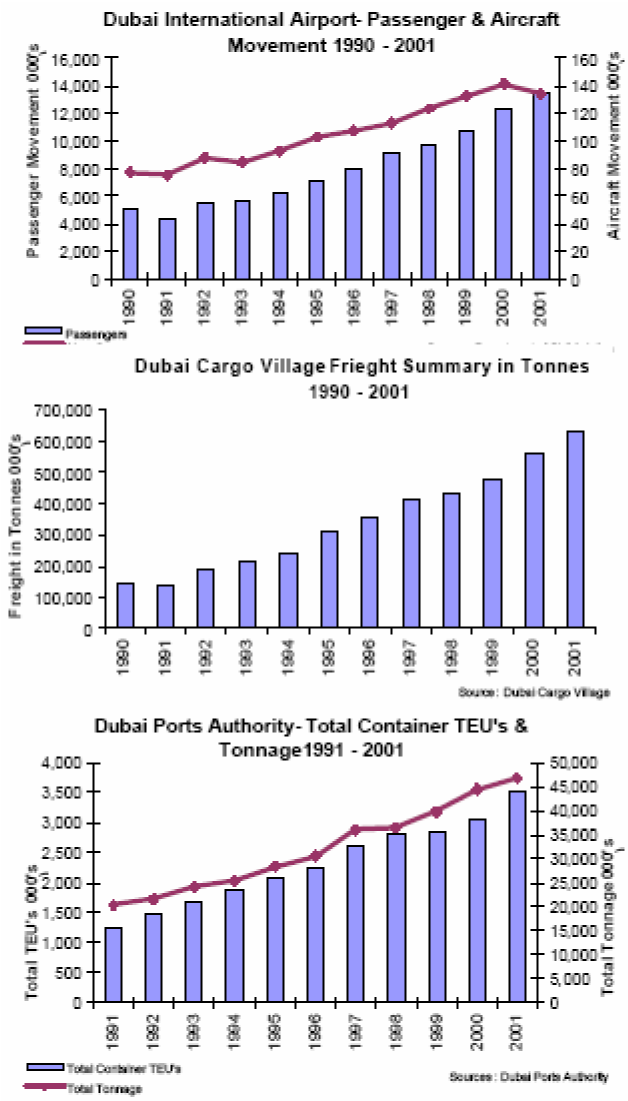
Source: Dubai International Airport.

Dubai tourism

	2001	2002	2003	2004	2005
No. of hotels	264	272	271	276	290
No. of beds	35,483	38,386	41,226	42,812	47,001
Room occupancy rate (%)	60.90	70.19	72.36	81.10	84.57
Total hotel guest revenue (Dh m)	2.79	3.41	4.02	5.60	7.91

Source: Dubai Tourism and Marketing Department.

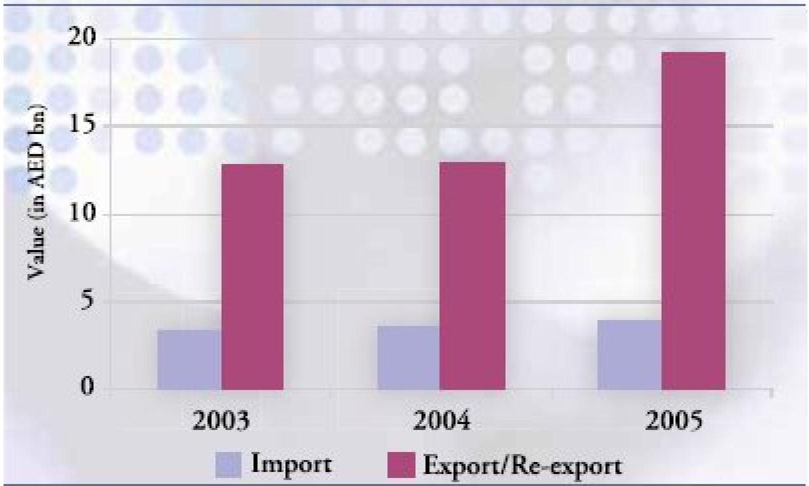
Source: Dubai International Airport, Dubai Tourism and Marketing Department, “EIU - UAE Country Profile 2006”



Source: An Economic Profile of Dubai, DubaInc

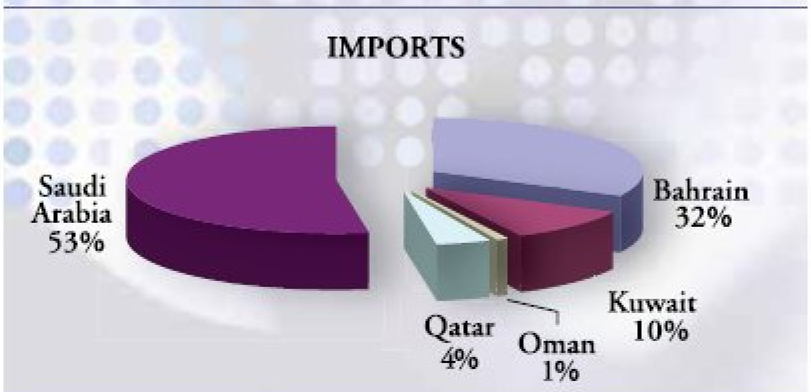
Exhibit 3:

Fig. 1. Value of Dubai's trade* with GCC countries, 2003 - 2005

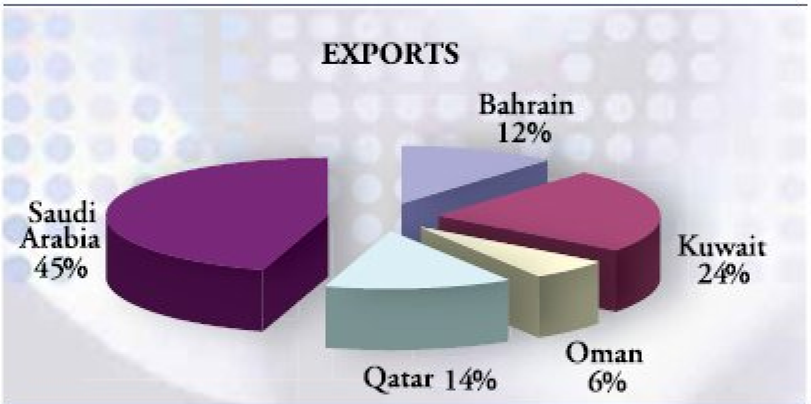


** - includes trade of the free zones*
Source of data used in the computations: Statistics Department, Dubai World

Fig.2.Dubai's trade*with other GCC countries, 2005



** - includes both exports & re-exports*



** - includes direct trade of Dubai and trade of the free zones*
Source of data used in the computations: Statistics Department, Dubai World

Source: UAE Ministry of Economy, "The Economic Bulletin, November 2006, Volume 3, Issue 29"

Exhibit 4:

Table 1: GDP of the Construction sector, 2001-2004 (AED Million)
(In current price)

	2001	2002	2003	2004*
UAE	17,446	21,478	26,072	28,971
Dubai	5,218	8,870	11,961	13,977
Share of Dubai to UAE	30%	41%	46%	48%

Source: Ministry of Economy & Planning
** Adjusted*

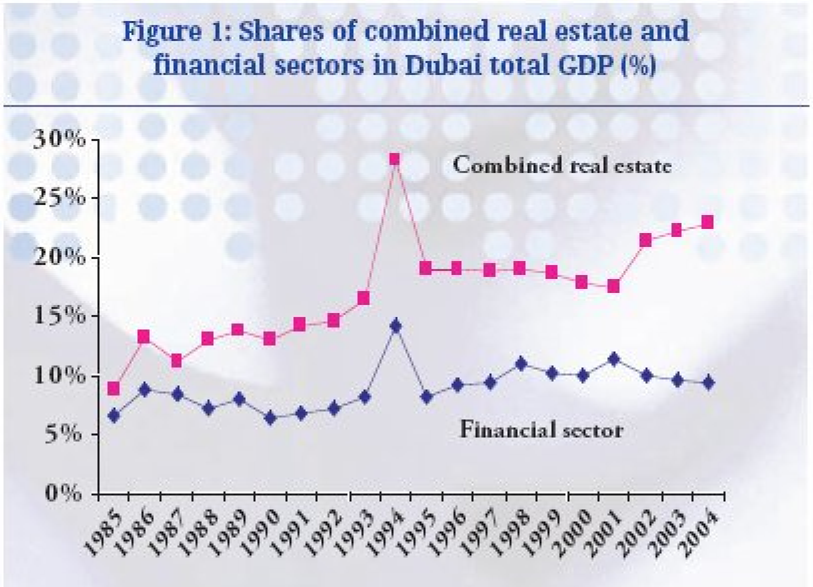
Table2: Planned Construction Projects-Dubai, 2005

Project Name	*Value $ Million	Project Start	Project End
Emirates Pearl	$9,500	Q4 2005	Q4 2009
Al-Hashemi Group/ Al-Salem Group- Dubai Mountain City	$3,400	Q4 2005	Q4 2008
Dubai International/ Chess City	$2,700	Q2 2006	Q4 2009
Gulf Finance House- Dubai Legends	$2,500	Q2 2005	Q4 2009
Al-Hanoo Holding Company- Stars Islands	$2,500	Q4 2005	Q4 2008
DCA - Jebel Ali Airport City	$2,000	Q1 2006	Q4 2010
Falcon City of Wonders	$1,500	Q3 2005	Q4 2010

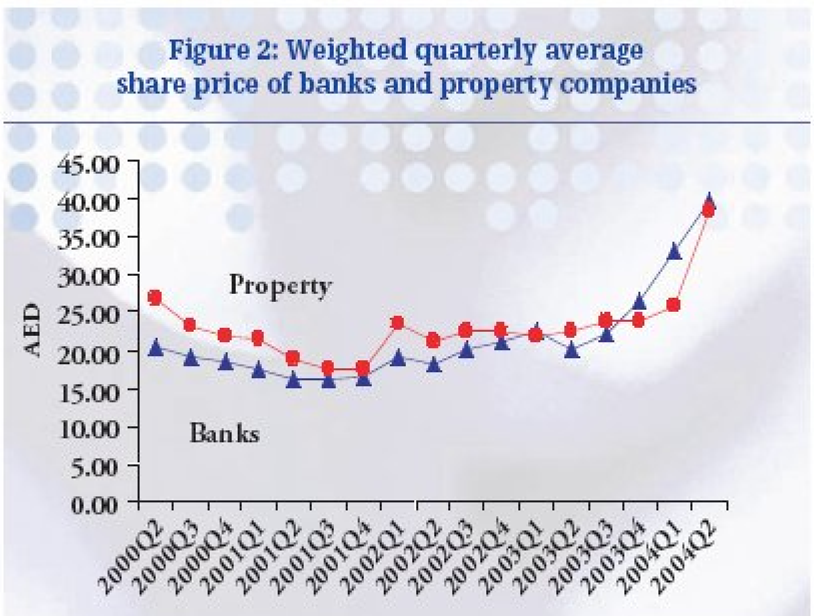
Source: MEED Projects Database, 2005
** Estimated Value*

Source: UAE Ministry of Economy, “The Economic Bulletin, February 2006, Volume 3, Issue 20”

Exhibit 5:



Source: Calculation based on data from Ministry of Economy & Planning



Source: Calculation based on data from Dubai Financial Market

Source: UAE Ministry of Economy, “The Economic Bulletin, January 2006, Volume 3, Issue 19”

Exhibit 6:

Figure 2: DFM performance, May 2000-May 2006

Source: Dubai financial market, 2006

Source: Dubai Financials Market, UAE Ministry of Economy, "The Economic Bulletin, November 2006, Volume 3, Issue 29"

Exhibit 7:

Table 1: The Big Mac index for GCC, july 2006)

GCC Countries (1)	Big Mac price (local currency) (2)	Exchange rate [a] (local currency) (3)	Big Mac price (USD) (4)	Implied PPP of the USD (5)	Implied under/ over valuation (%) (6)
Bahrain	0.850	0.3760	2.2606	0.2740	-27
Kuwait	0.750	0.2891	2.5939	0.2419	-16
Oman	1.000	0.3845	2.6008	0.3230	-16
Qatar	9.000	3.6400	2.4725	2.9032	-20
KSA	9.000	3.7500	2.4000	2.9030	-23
UAE	10.000	3.6725	2.7229	3.2258	-12

Source: Compiled by the author
a) Exchange rate defined as units of local currency per one USD as of May 2006.

Table 2: GCC currencies exchange rates per US Dollar

	2000	2001	2002	2003	2004	2005	2006 (a)
BHN	0.3760	0.3760	0.3760	0.3760	0.3760	0.3760	0.3760
KUT	0.3053	0.3069	0.3071	0.2980	0.2947	0.2920	0.2891
OMN	0.3845	0.3845	0.3845	0.3845	0.3845	0.3845	0.3845
QTR	3.6400	3.6400	3.6400	3.6400	3.6400	3.6400	3.6400
KSA	3.7500	3.7500	3.7500	3.7500	3.7500	3.7500	3.7500
UAE	3.6725	3.6725	3.6725	3.6725	3.6725	3.6725	3.6725

Source: IMF, 2006
a) The year 2006 is till the month of May

Source: Dubai Financials Market, UAE Ministry of Economy, "The Economic Bulletin, October 2006, Volume 3, Issue 28"

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