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**BEYOND PEARLS AND OIL:
DUBAI'S ECONOMIC
DIVERSIFICATION IN
HISTORICAL PERSPECTIVE**

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ABSTRACT

Affacciato sul Golfo Persico, l'emirato di Dubai si presenta come una piccola città-stato all'interno di una federazione di sette paesi membri, gli Emirati Arabi Uniti, indipendenti a partire dal 1971. Dubai nasce come un insediamento di pescatori sulla costa di una regione prevalentemente arida e desertica, che in meno di cinquant'anni è riuscita a evolversi in una metropoli moderna e dall'aspetto quasi futuristico. A dispetto di quanto si possa pensare, considerata l'ubicazione del paese, Dubai gode di una grande ricchezza che non deriva da introiti relativi alla produzione di gas e petrolio: sono invece altri i fattori che hanno contribuito a definire il successo dell'emirato.

In una prima fase riconducibile all'antichità, l'intensa attività commerciale di Dubai rese la località uno dei maggiori porti del Golfo, nel quale le merci venivano scambiate seguendo rotte internazionali. Collocato in una zona strategica posta tra il mondo occidentale e il continente asiatico, lo sceicco era il luogo ideale per l'esportazione di prodotti locali e l'importazione di merci di cui il paese risultava sprovvisto, come generi alimentari ed acqua. Proprio grazie alla sua posizione geografica, il porto di Dubai risultava un ottimo centro di smistamento: qui infatti confluiva una gran varietà di merci che successivamente veniva riesportata all'estero, talvolta utilizzando metodi illegali. Iran e India rappresentavano allora come oggi due tra i maggiori partner di scambio.

Al fine di proteggere le rotte mercantili con il suo impero coloniale, la Gran Bretagna fece ricadere le sue attenzioni proprio sull'emirato di Dubai, il quale a partire dal 1820 divenne protettorato britannico. Questa forma di controllo era volta solamente alla tutela dei traffici commerciali della Corona Inglese, senza esercitare particolari pressioni sull'organizzazione interna del paese, il quale continuò a godere di ampia autonomia.

In quegli anni, l'economia di Dubai era principalmente sostenuta dalla pesca e dal commercio delle perle. L'intera popolazione veniva coinvolta in questa florida attività, attirando verso la costa anche le tribù beduine dell'entroterra. Un ruolo di primaria importanza era ricoperto dalla figura del mercante, il quale estendeva la sua influenza al di là delle competenze economiche. I guadagni dello sceicco, infatti, dipendevano direttamente dalle tasse e dai profitti derivanti dal commercio delle perle, rendendo così i mercanti figure fondamentali per la ricchezza del paese stesso. Pertanto gli sceicchi concessero loro particolari privilegi di carattere politico, rendendoli così attori partecipi nei processi decisionali. La crisi dell'industria delle perle degli anni Trenta comportò serie conseguenze sia per l'economia del territorio che per la popolazione stessa, colpita da gravi difficoltà economiche. Fu perciò necessario introdurre delle valide alternative per lo sviluppo di Dubai, potenziando le risorse locali rimaste. Come primo passo, lo sceicco scelse di migliorare l'assetto urbano dell'emirato, costruendo infrastrutture mirate al supporto dell'attività commerciale, quali ponti, porti e strade asfaltate.

Nella prima metà del XX secolo, in tutta la regione mediorientale cominciarono le operazioni per la ricerca di giacimenti di petrolio. Sebbene molti paesi fossero già attivi nella produzione di questa risorsa preziosa, le trivellazioni eseguite negli emirati da parte di équipe inglesi tardarono a portare dei risultati positivi. Il primo bacino petrolifero fu scoperto a Dubai nel 1966, ma ben presto le risorse del paese si rivelarono meno abbondanti del previsto e quindi insufficienti al sostentamento dell'economia locale.

A partire dagli anni Ottanta, per sopperire a questa situazione di svantaggio rispetto al resto della regione, lo sceicco decise di implementare ulteriormente il processo di diversificazione economica sviluppando nuove attività all'interno del suo territorio. Furono lanciati diversi progetti per la costruzione di un settore secondario che si poggiava principalmente sull'industria metallurgica e chimica. Nuovi investimenti provenienti da

tutto il mondo vennero attirati grazie alla realizzazione di particolari distretti di libero scambio. In queste aree, imprese e rami di multinazionali regionali ed estere si insediarono beneficiando della mancanza di imposte e della possibilità di rimpatriare la totalità dei capitali generati. Avvalendosi di questa soluzione, lo sceicco permise la formazione di quello che si rivelerà essere ben presto un settore terziario all'avanguardia. La zona di libero scambio più grande e importante dell'emirato è Jebel Ali, comprendente uno dei più grandi porti marittimi al mondo. In seguito, numerosi altri distretti vennero creati con diversi ambiti di specializzazione che spaziano dalla tecnologia ai servizi medici, dalla finanza alle organizzazioni non profit.

La nascita di queste attività all'interno del paese ha portato a un incremento della popolazione, la quale si è andata arricchendo di nuovi residenti stranieri, che includono la comunità cosiddetta degli "espatriati", formata principalmente da uomini d'affari per lo più di origine occidentale e una parte meno abbiente di emigrati, rappresenta dai numerosi lavoratori provenienti dai paesi asiatici come India, Pakistan e Cina. Questo aumento demografico ha causato un vero e proprio sbilanciamento nella composizione del tessuto sociale a favore degli stranieri, che sono arrivati a costituire la maggioranza della popolazione.

Il boom di nuovi residenti ha favorito la nascita di altre attività economiche, come il settore edile e immobiliare, che portarono a loro volta alla creazione di un'industria turistica. A partire dalla metà degli anni Novanta, Dubai venne investita da rivoluzionari interventi urbanistici che videro la messa in opera di eccezionali progetti edilizi per la costruzione di abitazioni e strutture turistiche molto moderne. La mancanza di spazio dovuta al boom edilizio e la volontà dello sceicco stesso di spingersi oltre, portò addirittura alla singolare realizzazione di isole artificiali sulle quali trovarono posto residenze e alberghi di lusso. Questi progetti architettonici non erano semplicemente degli

edifici, ma secondo la logica del regnante dovevano rappresentare il simbolo della città stessa. Esempio fondamentale è la realizzazione del Burj Khalifa, il grattacielo più alto al mondo con i suoi 828 metri, simbolo della speranza del mondo arabo e delle potenzialità dell'uomo.

Di recente, il settore immobiliare è stato anche protagonista di una forte crisi dovuta principalmente alla speculazione edilizia e alla concomitante crisi finanziaria del 2008 che ha colpito i mercati internazionali. Le più grandi imprese di costruzione del paese e lo stesso governo di Dubai annunciarono un passivo pari a 80 milioni di dollari. Il debito venne estinto grazie all'intervento dello sceicco di Abu Dhabi, nonché Presidente dell'intera federazione, che disponendo di ingenti entrate derivanti dalla produzione di petrolio riuscì a salvare il vicino emirato.

Oggi la situazione sembra tornata alla normalità, favorita anche dal boom di turisti che scelgono Dubai come località per le loro vacanze. Nell'ultimo decennio il governo stesso ha lanciato diversi progetti per attrarre un numero sempre più elevato di villeggianti stranieri, attraverso la promozione di festival, eventi sportivi e la costruzione di grandi complessi commerciali. I famosi mall di Dubai offrono una vasta scelta di prodotti e marchi internazionali, che rendono la città un importante meta per lo shopping, a beneficio soprattutto di una nuova classe di turisti provenienti dall'Europa dell'Est e dall'Estremo Oriente. Grande supporto all'industria turistica è inoltre offerto dalla compagnia aerea Emirates, la quale negli anni è cresciuta sino a diventare una delle più grandi società nel settore dell'aviazione.

Il rapido ed eccezionale boom economico di Dubai cela comunque dei lati negativi che si ripercuotono specialmente sulla popolazione stessa dell'emirato, basti pensare al racket della prostituzione e allo sfruttamento di centinaia di lavoratori sottopagati. Inoltre il governo si è spesso rivelato incapace di gestire con dovuta attenzione le transazioni

finanziarie che avvengono all'interno delle zone di libero scambio. Così facendo, queste aree sono diventate luogo di numerosi traffici illegali di armi, droga, nonché basi per il riciclaggio di denaro. Dubai inoltre viene considerato da alcuni un potenziale insediamento di cellule terroristiche. Altre critiche sono state mosse in relazione all'impatto ambientale: gli incredibili progetti edilizi e un eccessivo consumo di risorse fanno di Dubai una nazione poco attenta alle conseguenze che tali comportamenti hanno sul territorio e più in generale sull'ambiente.

Nonostante gli impressionanti risultati in campo economico, l'emirato di Dubai deve ancora superare numerose sfide in modo da consolidare la sua posizione internazionale. La crisi del settore immobiliare è stata un esempio della persistente debolezza del sistema del paese. Tuttavia, la storia di Dubai è la dimostrazione di come l'emirato sia sempre stato in grado di trovare valide alternative ogni volta che il sistema economico ha vacillato. Dubai non ha mai accantonato l'attività commerciale, che si è rivelata essere il pilastro fondamentale della sua economia. Negli anni, poi, l'emirato è stato in grado di sostenere il settore commerciale con progetti complementari.

In maniera del tutto anomala rispetto alla maggior parte degli altri paesi mediorientali, Dubai non ha infatti potuto fare affidamento su una preziosa fonte di guadagno come il petrolio. Le riserve di greggio del paese nel 2012 rappresentavano solamente il 2% del PIL totale del paese. Alcuni addirittura sostengono che nel giro di pochi anni i giacimenti di Dubai si esauriranno definitivamente. Certamente il problema del consumo delle risorse petrolifere è una questione che preoccupa l'intera comunità mondiale. I paesi produttori di petrolio devono trovare altre attività utili a sostenere la loro economia, in modo da risultare meno dipendenti da una risorsa così poco affidabile. Dubai in questo caso ha aperto la strada alla ricerca di efficienti alternative economiche. Il problema ora è capire se il modello di sviluppo seguito dal paese possa essere un'efficace soluzione in

una prospettiva di lungo termine o se rappresenta solamente un grande successo limitato al breve periodo. Ciò che rimane certo è che Dubai, sin dalle sue origini, è riuscita a evolvere sino a diventare un centro dal carattere multietnico e ben integrato all'interno della comunità internazionale, rappresentando così uno dei più grandi esempi di globalizzazione.

INTRODUCTION

Located on the coast of the Persian Gulf, the emirate of Dubai developed from a small settlement of fishermen surrounded by the desert into a modern and ground-breaking global city. This impressive evolution took place in less than fifty years, placing Dubai among the most fast-developed cities in the world. The great wealth of the emirate is not surprising, since it is located in a region renowned for the abundant presence of hydrocarbon resources. However, this is not the case of Dubai. The flourishing success of the emirate has not to be attributed to thriving oil incomes, but on a series of other factors that has contributed to shape a different path towards modernisation. First of all, since the ancient times, Dubai was one of the major port of the Gulf, where goods were traded with international partners. The sheikhdom was located in a strategic position, between the Asian continent and the West, operating as an important centre through which local products were shipped abroad and other commodities were imported. Moreover, Dubai became a prominent *entrepôt* where goods arrived in order to be re-exported to other countries, sometimes also illegally. At this stage, the local economy was sustained by the fishing and the trading of pearls that represented an important income for the whole population of the sheikhdom, who practised these activities for centuries. The collapse of the pearling industry in the 1930s was the first challenge that the economy of Dubai had to overcome in order to maintain its status quo. The ruling sheikhs succeeded

in this achievement during the decades by establishing effective alternatives for the development of their territory. Starting with a programme of urban development, the government of Dubai began to provide the city with infrastructures useful for its trading business, such as seaports and paved streets. This strategy was also implemented when the first attempts to find hydrocarbon inside the sheikhdom revealed unproductive, while other Middle Eastern countries had already begun to extract great quantities of oil. The process of economic diversification was further fostered when the oil fields of the region were not producing enough resources to sustain the entire country. From the 1980s onwards, several projects were launched in order to create an efficient industrial sector and to bring business and investments inside the region. Through the implementation of special cluster areas, such as the free trade zones, Dubai managed to develop new services and new sectors, which attracted capitals and people from all over the world.

Starting with some historical information about the United Arab Emirates, which became an independent federation by the end of the 1971, my analysis focuses on the economic development of the emirate of Dubai. The second chapter is divided in three parts, each one referring to a particular stage of economic development. In the first part, it is presented the fundamental role of the pearling industry, which improved the trading activity of the emirate, with particular attention to the figure of the merchants. The second part focuses on the early attempts to build an efficient urban structure while the emirate gained its independence, followed by the discovery of oil. The boosting of a proper procedure for the economic diversification is analysed in the third part, considering the launch of new sectors, the cluster strategy and the formation of a multi-ethnic community inside the emirate. A final chapter is dedicated to the more recent development of Dubai's non-oil sectors (commerce, real estate, tourism and retail), with a particular attention to the free trade zone policy that has revealed to be one of the main key-feature of the emirate

able to attract a great variety of business in the region. My analysis ends with a brief examination of several negative aspects that the economic boom has entailed, followed by a consideration on the economic efficiency of the Dubai model.

CHAPTER I

Historical features

THE UNITED ARAB EMIRATES



FIGURE 1: THE UNITED ARAB EMIRATES¹

Covering a surface of 83,600 square kilometres, the United Arab Emirates (UAE) is located in the south-eastern tip of the Arabian Peninsula, along the Persian Gulf and the Gulf of Oman, close to the strategic Strait of Hormuz.² The country is delimited by Saudi Arabia on south-west and by Oman on the eastern side, sharing sea borders with Qatar and Iran. The majority of the land, almost four-fifty of the entire territory, is covered by desert sand, meaning that the main activities of the country take place along the 740

¹ CIA, The World Factbook, Middle East: United Arab Emirates

<https://www.cia.gov/library/publications/the-world-factbook/geos/ae.html> retrieved 16.10.2013

² Ramos S. J., *Dubai amplified: the engineering of a port geography*, Farnham, Ashgate, 2010, p. 51

km of coastline, where the soil is less arid and the climate is more ventilate, but still very humid.³

Since 1971, the United Arab Emirates (Al Imarat al Arabiyah al Muttahidah in Arabic) is a constitutional federation of seven emirates – Abu Dhabi, Ajman, Dubai, Fujairah, Ras al-Khaimah, Sharjah, Umm al-Quwain – each one of them ruled by a hereditary Sheikh or Emir. The federal capital city of the UAE is Abu Dhabi, situated in the emirate with the same name, which is also the largest one. His Highness Sheikh Khalifa bin Zayid Al-Nahayyan, re-elected Ruler of Abu Dhabi in 2009 by the sheikhs of the other six emirates, is the President of the entire nation; while His Highness Sheikh Mohammed Bin Rashid Al Maktoum, Emir of Dubai, is the Prime Minister since 2006.⁴ The highest constitutional authority is the Federal Supreme Council composed by the seven rulers of the emirates, the Federal National Council, instead, represent the legislative branch of the government, while the Federal Supreme Court is the judicial one; any form of political party is not allowed.⁵

Even if the UAE is a monarchy based on a mixed legal system of civil and Islamic law, the population is represented by a combination of different nationalities.⁶ The composition of the society is very unusual: over a total population of 8,264,070 inhabitants (2010 mid-year estimates), 83% are non-nationals and only 17% are natives.⁷ Among the foreigners there are many Iranian, due to the geographical proximity, Westerner professionals from Europe and the United States attracted mainly for business reasons and people from other Arab states.⁸ The majority of the foreigners however is

³ Metz H. C., *Persian Gulf States: a country study*, Washington, GPO for the Library Congress, 1993, p. 5

⁴ CIA, *The World Factbook*, Middle East: United Arab Emirates

<https://www.cia.gov/library/publications/the-world-factbook/geos/ae.html> retrieved 16.10.2013

⁵ *Ibidem*.

⁶ *Ibidem*.

⁷ United Arab Emirates National Bureau of Statistics, *Population in the UAE 2009*, Abu Dhabi, United Arab Emirates National Bureau of Statistics, 2010, p. 3

⁸ Syed A., *Dubai gilded cage*, New Heaven, Yale University Press, 2010, pp. 2

represented by people from the Asian countries: their rate is not well defined, since many of them are not legally recognized inside the UAE. Usually they are labourers employed in lower-level services (e.g. cab drivers, maids, construction workers, prostitutes, etc.), working for underpaid wages.⁹ These are often held for months by the employer, preventing workers from quitting or switching job since their labour conditions are barely acceptable. The illegal practice of passports confiscation happens as well with the same purpose: in this way, at any point of their stay, the government or the employer may revoke a worker's visa, causing the immediate deportation or a temporary ban from the country.¹⁰ Usually all the migrants entering in the UAE are marked as temporary: they are allowed to get a three-year visa (that could be extended) provided that they still have a sponsor or an employer as guarantor.¹¹ Following these rules, the UAE population proves to be multi-ethnic, dynamic and fickle in its composition.

From a land of tribes to a constitutional federation

Nowadays the per capita GDP of the entire country results to be at the same level with the leading West European nation records, but in the past the situation was really different. For centuries the south eastern corner of Arabia was a desolate land, enclosed between sand and water. A desert inland and miles of coastline, subjected to tidal flats, made the soil unsuitable for any form of primitive agriculture and hazardous for travel.¹² Moreover coral reefs and scattered sandbanks rising on the surface of the Gulf made navigation complex.¹³ All around this territory empires were created and others fell apart, entire populations were victims of the colonization process and particular regions of the

⁹ *Ivi*, p. 3

¹⁰ *Ibidem*.

¹¹ A. Syed, *Dubai gilded cage*, cit., p. 11

¹² J. Krane, *City of gold: Dubai and the dream of capitalism*, New York, St. Martin's Press, 2009, p. 4

¹³ *Ibidem*.

world went under the influence of powerful domains, such as the land currently known as Iran that hosted the famous Persian Empire from the VI century BC.¹⁴ However the interest for new conquests was always oriented towards richer areas, leaving aside the desert country on the Persian Gulf. We have to wait until the first half of the 1900s for the first expeditions penetrating the desolate territories that today correspond to Oman, Saudi Arabia and United Arab Emirates: British explorers ended up by meeting the ancient tribal clans that still influence the present society of the UAE.¹⁵ These were nomadic people spending alternately periods of their lives as desert-dwellings and villagers. Their main activities carried in the oases near the mountains were herding animals (mainly camels) and growing dates, bananas, grapes, mangoes, figs and pomegranates.¹⁶ Unfortunately the suitable land for farming was not enough for all the tribes and commerce was a practice that could not be sustained since they were too poor, therefore some of them decided to move to the coastal area and start fishing and diving to get pearls: this was the first attempt of a trade activity in the Persian Gulf.¹⁷

The first European visitors who reached the coast of the region that is currently known as United Arab Emirates were the Portuguese in 1506.¹⁸ It was a brutal and cruel arrival: thousands of Arabs were killed and their towns were destroyed in the name of the Christian supremacy. It was almost a sort of revenge for hundreds of years of Muslim control over their homelands.¹⁹ After the massacre, the Portuguese legacy was not meant to last for long: in 1631 their presence was replaced by the Dutch for the following 150 years.²⁰ Obviously their occupation was not welcomed by the locals, who considered the

¹⁴ *Ibidem*.

¹⁵ *Ivi*, p. 5

¹⁶ Heard-Bey F., "The Tribal Society of the UAE and its Traditional Economy" in I. Al Abed, P. Hellyer (edited by), *United Arab Emirates: a new perspective*, London, Trident Press, 2001, p. 109

¹⁷ *Ivi* p. 101

¹⁸ J. Krane, *City of Gold*, cit., p. 11

¹⁹ U. Rabi, "Britain's special position in the Gulf: its origins, dynamics and legacy", *Middle East Studies*, vol. XLII (2005), 3, pp. 352

²⁰ S. Ramos, *Dubai amplified*, cit., p. 53

new western colonizers as barbarian as their Portuguese, but their interest was focused on the northern area of the Gulf that was wealthier than the south, with a large population, abundance of supplies and fresh water.²¹

The potential of the Persian Gulf's strategic position emerged noticeably by the early 1800s: it was an attracting pole due to its proximity to the Indian commercial routes, especially for the Ottomans and the British. The former held Iraq and were expanding their influence in certain zones of the territory that is now Saudi Arabia, the latter were the governing entity in India.²² It was clear that both of them had their reasonable purposes to broaden their domination over the territories standing on the Persian Gulf. The first move was made by the Britain's East India Co. which found itself directly in competition against the Arab traders. Among these, the Qawasim were one of the dominant tribes, settled on the coasts of the current United Arab Emirates: they owned thousands of ships and were established in different ports on the Gulf in the city of Ras Al-Khaimah, Sharjah, Bandar Lengeh (located in Iran at present) and in the northern part of Dubai.²³ In addition, another antagonist of the British was represented by the pirates attacking their ships in the Gulf: some were allied with the Qawasim, but the majority of them was the result of the anarchical situation that took place after the disintegration of the Persian Empire. After different attempts, the British succeeded in the destruction of the Qawasim sea power and they became the only naval supremacy of the Persian Gulf.²⁴ Within two years the exports from British India to the Gulf doubled and a truce was reached between the European authority and the sheikhs of the coastal tribes, committing themselves not to practice any kind of maritime hostility over the sea.²⁵ The first

²¹ *Ibidem.*

²² J. Krane, *City of Gold*, cit., p. 81

²³ C. M. Davidson, *Dubai: the vulnerability of success*, London, Hurst & Co., 2008, p. 10

²⁴ U. Rabi, *Britain's special position in the Gulf: its origins, dynamics and legacy*, cit., p. 353

²⁵ *Ibidem.*

agreement, the General Treaty of Peace, was signed by the sheikh of Sharjah in 1820, abolishing piracy, dismantling the town's fortifications and letting English prisoners free.²⁶ In return the Arab tribe received back the pearling and fishing ships that had been confiscated by Britain. Following the example of the Sharjah's leader, the other sheikhs decided to sign the same truce, determining the dominance of the British power on the Persian Gulf.²⁷ From 1820 to 1971 this land was known as The Trucial States and included eleven sheikhdoms: Abu Dhabi, Ajman, Dubai, Sharjah, Umm al-Quwain, Ras al-Khaimah, Dibba, Hamriyah, Fujairah, Kalba, Heera.²⁸ In 1853 these arrangements were updated with the Perpetual Maritime Truce and in the 1892 the Exclusivity Agreements determined that the eleven sheikhdoms became British official protectorates.²⁹ With this move the sheikhdoms were exclusively bounded with the United Kingdom: the British government was the only foreign presence allowed in the territories of the Persian Gulf. In return, the Trucial Coast obtained protection from any kind of external aggression and support if attacked. This led to positive and negative consequences. Due to the suppression of the maritime raids, the trade activities, especially the pearling fleets, could operate in a secured and lucrative environment.³⁰ On the other hand, Britain prohibited the exploitation of slaves, damaging some sheikhs and merchants who lost an important source of income.³¹ It has to be underlined that at this stage British intrusion over The Trucial States was moderate: they did not interfere with the inland activities, because the basic forms of regional commerce had no significance for them, since their main concern was the protection of their international routes.³² This dynamics

²⁶ *Ibidem.*

²⁷ *Ibidem.*

²⁸ *Ibidem.*

²⁹ *Ibidem.*

³⁰ Carter R., "The history and prehistory of pearling in the Persian Gulf", *Journal of Economic and Social History of the Orient*, XLVIII (2005), 2, p. 188

³¹ J. Krane, *City of gold*, cit., p. 55

³² Heard-Bey F., *The Tribal Society of the UAE and its Traditional Economy*, cit., p. 100

resulted really profitable for the sheikhs of the coastal area that took advantages of their special relationships with the European protectors, but at the same time it increased a sort of disparity in the level of development between the inland and the territories on the seaboard.³³

The pearls business was an ancient tradition really common among the people living in the coast of the Persian Gulf. Due to the gentle and shallow water of the sea and the warm temperature, this area was the perfect oyster habitat.³⁴ The equipment for collecting pearls did not required expensive tools, the only important thing were the breathing skills of the divers.³⁵ The business peak was recorded in 1897, when the Gulf pearl exports were estimated to be three-quarters of a million British pounds, meaning that their value was ten times higher than it was two decades before.³⁶ In the first part of the 1900, 95% of the Gulf economy was represented by the pearl trade, involving 1,200 vessels, each one provided with a crew of fifteen to eighty sailors.³⁷ In those years, there was a continuing coming and going of Iranian and Indian merchants, especially in the pearling season and many of them decided to settle definitively in the coastal sheikhdoms.³⁸ Thanks to the international commercial activities of this area, the population of The Trucial States was starting to get the multi-ethnic connotation that today distinguishes it. Moreover the activity of several pearl merchants was very lucrative at the point that they became richer than some ruling sheikhs, increasing the wealth imbalance.³⁹ Consequently, a climate of instability rose among the member of the communities. To prevent any attempts of overturning the ruling power, the British

³³ U. Rabi, *Britain's special position in the Gulf*, cit., p. 353

³⁴ Carter R., *The history and prehistory of pearling in the Persian Gulf*, cit., p. 143

³⁵ *Ibidem*.

³⁶ J. Krane, *City of gold*, cit., p. 26

³⁷ Heard-Bey F., *The Tribal Society of the UAE and its Traditional Economy*, cit., p. 108

³⁸ F. Al-Sayegh, Merchants' role in a changing society: the case of Dubai 1990-90, *Middle Eastern Studies*, XXXIV (1998), 1, p. 88

³⁹ S. Ramos, *Dubai amplified*, cit., p. 59

decided to step in and apply a policy of isolation. In 1905 it was announced that the Arab Gulf seabed was a reserved monopoly of the coastal sheikhdoms and pearls had to be traded through British India.⁴⁰ Any modern and technological equipment was also banned for the safeguard of the traditional diving practice.⁴¹ Seen in a long-term perspective, these decisions damaged the Trucial States economy and their possible improvement: through the protection of the pearl habitat from intruders, the British inevitably forced the Arab activities to linger in a primitive stage of development, not to mention the risks taken by the divers when there were safer methods that could facilitate their expeditions. These were the first symptoms of what soon became an economic collapse, which culminated by the end of the 1920s. Starting in 1929, the Great Depression of the western world directly affected the trade activity of the Persian Gulf: pearls, as luxury products, were the first things that people decided not to buy anymore, causing a brutal collapse of demand.⁴² Worsening the situation, new Japanese studies brought to the development of the cultured pearl industry: this new invention, perfectly resembling the natural product, was the *coup de grâce* of the pearling business for the Gulf sheikhdoms.⁴³ There were no chances to redeem the activity, especially considering the heavy taxation on the pearl imports from the Arab sheikhdoms imposed by the new independent government of India after the Second World War.⁴⁴

Between 1930 and 1950, British assistance towards the Trucial States gradually increase.⁴⁵ This direct involvement was prompted by geopolitical reasons: the English authority was worried about the possible pressures exercised by the Russians and the

⁴⁰ C. Davidson, *The United Arab Emirates: a study in survival*, Boulder, Lynne Rienner, 2005, p. 35

⁴¹ *Ibidem*.

⁴² R. Carter, *The history and prehistory of pearling in the Persian Gulf*, cit., p. 184

⁴³ *Ibidem*.

⁴⁴ U. Rabi, *Britain's special position in the Gulf*, cit., p. 356

⁴⁵ Onley J., "Britain's native agents in Arabia and Persia in the Nineteenth century", *Comparative Studies of South Africa, Africa and the Middle East*, XXIV (2004), 1, pp. 130

Turks. It was feared that the former could approach India through Afghanistan and the Gulf passing through Iran. The latter, instead, did not represent a threat as soon as their empire collapsed right after the First World War, without bringing big repercussions for the Trucial States, even if the Turkish influence has been extended as far as Qatar.⁴⁶ However a new problem came to light when the race for oil in the Middle East started. It was a phenomenon that mobilized the international community and new players stood out, such as the United States.⁴⁷ The first oil concessions were signed in Iran and Iraq respectively in 1901 and 1925 and few years later oil exports began to flow outside these countries, generating high profits and stirring the geopolitical situation of the region up.⁴⁸ Bahrain, Saudi Arabia, Kuwait and Qatar followed and in the 1930s they became producers of one of the most sought natural resource worldwide. Abu Dhabi, Oman and Dubai were the latecomers in this entire situation, since they have to wait until the 1960s for the discovery of oil in their lands.⁴⁹

⁴⁶ D. Heard, *From Pearls to oil: how the oil industry came to the United Arab Emirates*, Dubai, Motivate Publishing, 2011, p. 56

⁴⁷ U. Rabi, *Britain's special position in the Gulf*, cit., p. 356

⁴⁸ D. Heard, *From Pearls to oil*, cit., p. 58

⁴⁹ *Ibidem*.

FIGURE 2: OIL IN THE MIDDLE EAST ⁵⁰

COUNTRY	YEAR CONCESSION SIGNED	YEAR OIL FOUND	YEAR EXPORTS BEGAN
Iran	1901	1908	1912
Iraq	1925	1927	1934
Bahrain	1930	1932	1934
Saudi Arabia	1933	1938	1939
Kuwait	1934	1938	1946
Qatar	1935	1939	1949
Abu Dhabi	1939	1960	1962
Dubai	1937	1966	1969
Oman	1937	1965	1967

The first foreign company working inside the Trucial States was the Anglo Persian Oil Company: after preliminary drilling operations, they approached the Rulers of each sheikhdoms in order to obtain their signatures for oil concessions.⁵¹ Extractions finally began and the development of the oil industry brought investments with it. The British government decided to improve the infrastructures of the Gulf region, giving shape to a massive construction programme providing schools, hospitals and roads. In 1954-55 the United Kingdom earmarked £50,300 for Dubai and Sharjah sheikhdoms, six years later the amount rose to £550,000.⁵² Between 1955 and 1965 the total investment from the English Crown to the Trucial States was valued £1 million. Moreover, in 1966, an English

⁵⁰ *Ivi*, p. 59

⁵¹ *Ivi*, p. 58

⁵² H. C. Metz, *Persian Gulf States: a Country Study*, cit., p. 87

military base was established in Sharjah right after the payment of a special fee to the Sheikh.⁵³ The Rulers of the Gulf countries themselves decided to allocate the extremely profitable oil revenues for the improvement of their lands: for example, during the 1960s, Qatar developed in Dubai a freshwater system and erected the first bridge on the creek, meanwhile a road connecting Sharjah to Ras Al Khaymah was built due to the Saudi funding.⁵⁴ The discovery of petroleum and its lucrative aspect caused the first massive transformation in the Gulf community and this new industry encouraged the sheikhdoms to pursue common policies. In the same period, it was also created the Trucial State Council in order to coordinate all the activities involving the Sheikhdoms.⁵⁵ However the disparity of resources among the States brought to an uneven economic development: Abu Dhabi and Dubai were the most profitable lands, which disposed of higher amounts of oil revenues directly invested for the construction of modern infrastructures, such as airports, ports and highways.⁵⁶

In 1968 it was announced that the English government was inclined to leave its protectorate position on the Gulf coast.⁵⁷ The recovery process after the Second World War had undermined British economy and its population was demanding to reduce the expenses for the colonial empire.⁵⁸ These cuts caused a weakening in the security defence system of the Trucial States for a couple of years: Saudi Arabia and Iran were eager for a takeover. According to the Rulers, independence was not an opportunity at all: it was seen as a real damaging problem and the Sheikhs of Dubai and Abu Dhabi asked to extent British protectorate at their expenses, but the offer had been rejected.⁵⁹ Furthermore, as

⁵³ C. Davidson, *Dubai: the vulnerability of success*, cit., p. 94

⁵⁴ J. Krane, *City of gold*, cit., p. 71

⁵⁵ Heard D., *From Pearls to oil*, cit., p. 59

⁵⁶ *Ibidem*.

⁵⁷ Onley J., *Britain's native agents in Arabia and Persia in the Nineteenth century*, cit., p. 130

⁵⁸ *Ibidem*.

⁵⁹ U. Rabi, *Britain's special position in the Gulf*, cit., p. 363

oil revenues were increasing the wealth of only few sheikhdoms, a climate of competition arose in the region, endangering the projects of partnership. Abu Dhabi was proposed as the capital city of a possible union among the states; this was a project not shared by the other sheikhdoms, considering that Abu Dhabi owned the 88% of the total land and the 90% of oil.⁶⁰ The solution was found in a compromise: each sheikhdoms was allowed to control its own oil resources and politics, preserving the authority of each member.⁶¹ However the situation remained unstable in a territory that had been left isolated for centuries. In his book titled *City of Gold*, the journalist Jim Krane perfectly depicts the conditions of the Gulf States at the beginning of the 1970s:

The seven weak sheikhdoms have no experience with central rule. There is no government infrastructure, no tradition of private property, no currency, no roads stitching them together. There are few laws and fewer books. Most people are illiterate. Women cover their faces in metallic masks that resemble helmet visors of medieval knights. The territory's only protection is a tiny band of paramilitaries called the Trucial Oman Scouts. Outsides the main cities of Dubai, Abu Dhabi and Sharjah, the country is as primitive as sub-Saharan Africa: Tribesmen rise families in lantern light in thatched huts or goat hair tents. Bedouin roam the desert in search of water and grazing.⁶²

On December 2, 1971 the British government officially declared the end of its special outpost in the region and six sheikhdoms – Abu Dhabi, Ajman, Dubai, Fujairah, Sharjah and Umm al-Quwain - gained independence.⁶³ They became the United Arab Emirates, joined one year later by Ras al-Khaimah. They were a tribal confederation with Abu

⁶⁰ C. Davidson, *Dubai: the vulnerability of success*, cit., p. 55

⁶¹ *Ibidem*.

⁶² J. Krane, *City of gold*, cit., p. 81

⁶³ *Ivi*, p. 63

Dhabi as capital city and the wealth of the land in the sheikhs' hands. The rulers themselves and the public opinion were really sceptical about the future of this new country. On the contrary, things surprisingly worked out due to post-independence stability. It is again Mr. Krane the one that explained better the positive after-effects of the British protectorate:

Whatever the faults of their enforced isolation, their buttressing of the same ruling families for 152 years wound up creating strong leadership institutions, however archaic and undemocratic. Tribal-based family rule survived the British departure without serious challenge. The same can be said for the other Gulf Arab sheikhdoms, where British policy cultivated strong monarchies that have gone on to govern stable independent countries.⁶⁴

The case of the United Arab Emirates is an unconventional example of colonial administration with good outcomes: the English government did not suffocate local power institutions, it kept an eye on them, without severe interventions. Outside the sheikhdoms in the Middle East, foreign powers presided over the original authority; once they departed, what was left were independent clusters of institutions struggling to understand how to administrate themselves properly. Another lucky aspect of the UAE was the charismatic figure of Sheikh Zayed bin Sultan al-Nahyan, Ruler of Abu Dhabi e President of the entire Federation.⁶⁵ Thanks to his administration he succeeded in unifying the whole country, despite all the disagreements. He did visit also the farthest places of the federation, creating a climate of loyalty among his subjects that can be compared to proper devotion. Sheikh Zayed was the right man for the guidance of a land that otherwise would have been easily split up, he was the “sheikh’s sheikh” using Krane’s words.⁶⁶

⁶⁴ *Ivi*, p. 85

⁶⁵ *Ivi*, p. 58

⁶⁶ *Ivi* p. 91

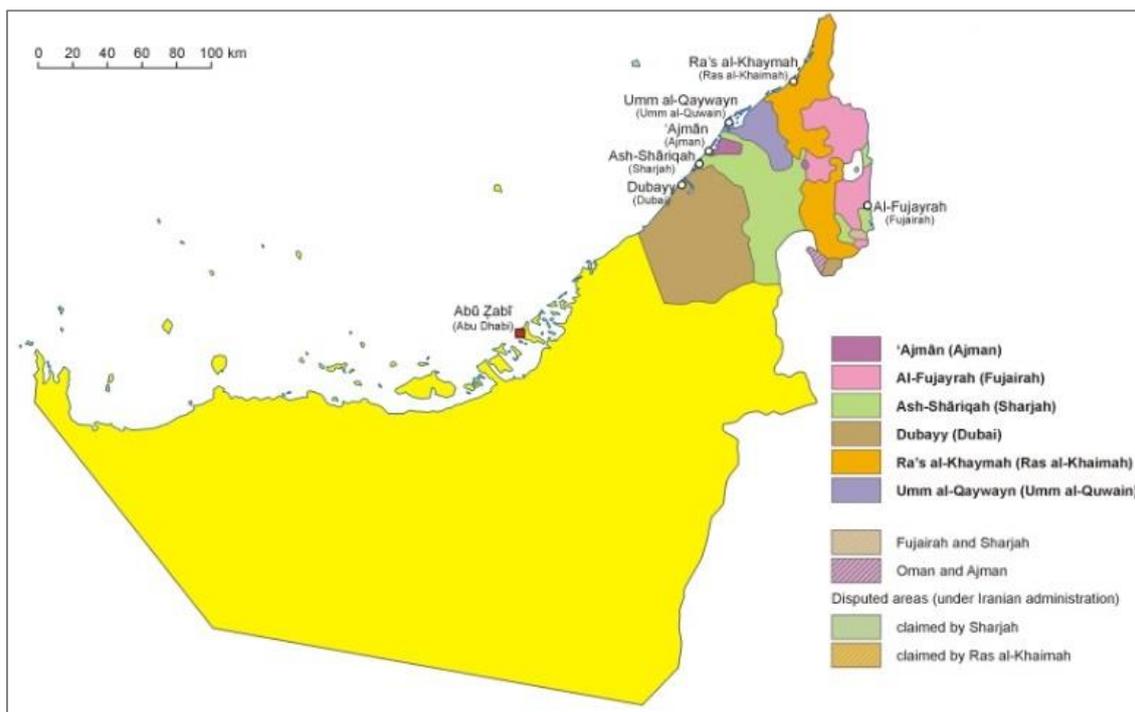


FIGURE 3: UAE SHEIKHDOMS ⁶⁷

Today the United Arab Emirates is a country that, besides the efforts, has not been developed in a uniform way: there is a relevant difference between the northern sheikhdoms – Ajman, Umm Al Qaiwain, Ras Al Khaimah and Fujairah – and Sharjah, Dubai and Abu Dhabi, which are more advanced and rich.⁶⁸ The former group still relies primarily on the agricultural and fishing activities. In Umm Al Qaiwain there is also a natural reserve for few species of birds and plants.⁶⁹ Ras Al Khaimah, which is the northernmost emirate of the federation, has an ancient history, proven by its archaeological sites. Fujairah is the only sheikhdom located along the Gulf of Oman, on the eastern side of the UAE. It was for this reason that Fujairah was the only area of the country where pearl fishing did not exist due to the different temperature of the water,

⁶⁷ Mappery, United Arab Emirates, <http://www.mappery.com/map-of/United-Arab-Emirates-Country-Map> retrieved 18.10.2013

⁶⁸ CIA, “The World Factbook: Middle East, United Arab Emirates”: <https://www.cia.gov/library/publications/the-world-factbook/geos/ae.html> retrieved 16.10.2013

⁶⁹ Dubai City Guide, Umm Al Qaiwain, <http://www.dubaicityguide.com/uaq/> retrieved 16.10.2013

making not possible the growth of pearl oysters.⁷⁰ However, today Fujairah is improving its tourist sector, relying on its clean and natural coastal environment.

Among the richest emirates of the federation, Sharjah is the smallest one. In 1998 it received the title of Cultural Capital of the Arab World by UNESCO due to its cultural heritage: the capital city of the region hosts more than twenty museums that range from the ancient Arab traditions to the science and natural history exhibitions, educational conferences, cultural festivals, fairs and economic expositions.⁷¹ As already said, in its past Sharjah was one of the most important port of the Gulf and it was also the location where British decided to settle their first military base. Inside this territory in 1932 it was also built the first international airport.⁷²

As the largest emirate of the federation, Abu Dhabi include also the capital city of the UAE, which is the centre of governmental and business activities, headquarters of embassies and oil operating companies. The city has been developing into a real modern metropolis due to its flourishing oil revenues. In fact, with its massive natural reserves, the sheikhdom is the first and major producer and exporter of oil and gas of the entire federation.⁷³ This was the main fortune for the Emirate, which has been exploiting its resources in order to improve its urban landscape, endorsing commercial business and attracting expatriates and tourists. The total population of the UAE recorded an incredible growth due to the severe improvements taken in the Gulf region, especially after the discovery of the most precious resource in the world, oil. According to the data published by the United Nations Economic and Social Commission for Western Asia (ESCWA) in

⁷⁰ R. Carter, *The history and prehistory of pearling in the Persian Gulf*, cit., p. 140

⁷¹ Sharjah Government, About Sharjah, <http://www.sharjahtourism.ae/en/about-sharjah/sharjah-in-brief> retrieved 17.10.2013

⁷² C. Davidson, *Dubai: the vulnerability of success*, cit., p. 93

⁷³ Ivi, p. 60

2010, the entire population of the UAE amounted to 1,016 in 1980.⁷⁴ The number rose to 1,809 ten years later, but the incredible growth happened in the following years. In 2000 the total amount of people living inside the federation's borders was 3,033, five years later it reached 4,069 and in 2010 it grew to 7,512.⁷⁵ It was estimated that in the period that goes from 2005 to 2010 the population growth rate was 12.26%, quite an impressive percentage for a region that less than fifty years ago was still a desert land.⁷⁶

THE EMIRATE OF DUBAI

Skyscrapers, six-lane highways, luxury hotels and massive shopping malls with the best quality boutiques: this is the outwardly Dubai advertised in the vast majority of websites and travel magazines at present days. However less than fifty years ago, Dubai was only an underdeveloped city on the Persian Gulf, surrounded by an expanse of desert sand.

The origins and the Al Maktoum dynasty

The recorded history of Dubai begins around 1800. At that time there were no proper borders limiting the territories, but the geographical division was based on the influence of power exercised by a tribe leader.⁷⁷ The sheikhdom that will take the name of Dubai was originally incorporated with the Abu Dhabi region; there the Bani Yas tribe was in power.⁷⁸ Living in little seaside villages of sheds, made with mud and thatch, men

⁷⁴ United Nations Economic and Social Commission for Western Asia, The Demographic Profile of the United Arab Emirates, <http://www.escwa.un.org/popin/members/uae.pdf> retrieved 20.10.2013

⁷⁵ *Ibidem.*

⁷⁶ *Ibidem.*

⁷⁷ J. Krane, *City of gold*, cit., p. 18

⁷⁸ *Ibidem.*

survived catching pearls and fishes and collecting shark fins.⁷⁹ Inland, in the Liwa oasis at about seventy-five miles from the coast, the Bani Yas tribe was settled.⁸⁰ They were located near the Saudi border, just before the desolated Empty Quarter. The current ruling families of Abu Dhabi and Dubai descend from two branches of this tribe, named respectively Al Bu Falah and Al Bu Falasah.⁸¹ After a family dispute, ended up with a fratricide, the Al Bu Falasah moved on the coast: that land was declared their new sheikhdom and Dubai the name of its capital city.⁸² The Al Maktoum dynasty was officially in power. One unusual peculiarity of the family was its stability: for 175 years sheikhs succeeded one to another, without any overthrown or murder attempts.⁸³ Especially in monarchical countries, this continuous succession was something unprecedented. In the neighboring Abu Dhabi fratricides and coups were common among the members of the al-Nahyan family.⁸⁴ It was precisely this ruling stability that allowed Dubai's success in the economic field: people invest there because they are reassured by the secure political environment, their business are safe as long as the state authority is balanced and reliable.

In 1833 Sheikh Maktoum bin Buti signed an alliance with the British government.⁸⁵ In the same year the first wave of immigrants came from across the Gulf, establishing their homes on the coast, founding the first settlement of the becoming cosmopolitan Dubai that we know today. The city developed from a village of traders and fishermen to an international port, due to its strategic position between the European and the Asian continent. The Iranian merchants were an important resource for the city and in the late

⁷⁹ F. Heard-Bey, *The Tribal Society of the UAE and its Traditional Economy*, cit., p. 101

⁸⁰ *Ibidem*.

⁸¹ J. Krane, *City of gold*, cit., p. 18

⁸² *Ibidem*.

⁸³ *Ivi*, p. 60

⁸⁴ *Ibidem*.

⁸⁵ *Ivi*, p. 19

1890s the Sheikh solicited business with them.⁸⁶ Favouring this plan, Persians decided to raise taxes in some Iranian ports. Therefore the Ruler decided to reduce the fees of its sheikhdom and to abolish the 5% customs duty, converting Dubai into a free port.⁸⁷ Moreover he gave incentives to the foreign traders interested in moving there, such as free land, connections among the business members and a stable government policy.⁸⁸ Due to these support, few of the biggest Iranian trade companies relocated in the Trucial Coast, followed by their customers that made the Gulf water busy⁸⁹. Persian culture, language, social customs and food were imported too and mixed with the local lifestyle. The real fortune for Dubai was free trade: goods arrived and were exported again in the nearby locations; they were even carried on camels towards miles of desert in order to reach the inland Bedouin bazaars.⁹⁰ Soon Dubai became the leading trade centre of the Persian Gulf, located near the Strait of Hormuz and very close to the Indian Ocean. Its strategic importance will be recognized worldwide.

During the 1800s Dubai's economy was strictly dependent on pearling activity. Products were sold on the market: buyers arrived in the Gulf, especially from Southern Asia (India was one of the main clients) to purchase the best specimens.⁹¹ Pearl merchants soon became the new wealthy social class, almost comparable to many ruling sheikhs. However this kind of economy was unstable: the income of the entire region was basically set up on a single luxury commodity, pearls. The bubble of Dubai's prosperity burst in 1929, worsened by the worldwide infamous period of Great Depression, which was triggered by the Wall Street crash and the launch on the market of the cultured pearls

⁸⁶ F. Al-Sayegh, *Merchants' role in a changing society: the case of Dubai 1990-90*, cit., p. 88

⁸⁷ *Ibidem*.

⁸⁸ J. Krane, *City of gold*, cit., p. 22

⁸⁹ *Ibidem*.

⁹⁰ F. Al-Sayegh, *Merchants' role in a changing society: the case of Dubai 1990-90*, cit., p. 90

⁹¹ C. Davidson, *Dubai: the vulnerability of success*, cit., p. 22

from Japan.⁹² For seventeen years, until the end of the World War II, the economic situation of Dubai was catastrophic: famine and poverty spread all over the region.⁹³ British were struggling against the war in their homeland and could not help with the administration of the sheikhdom. The critical condition of business made foreign merchants and buyers go back to their countries, even the first schools opened in Dubai in the 1920s were closed.⁹⁴ The economic depression developed in a political and social crisis: in order to overcome the crisis merchants needed a reform programme and a stronger Ruler, who could guide the sheikhdom outside from the hardships.⁹⁵ Therefore a democratic reform movement took the lead on the situation supported by an exhausted population and a council of merchants was arranged. This new authority approved a series of reforms about health care and education, but most of all it abolished tax monopoly and privileges concessions and it disposed that the majority of the Sheikh's income had to be addressed to the town treasury.⁹⁶ The council did not last for long: the Ruler decided to dismantle it as soon as the situation became unstable: rebels occupied the streets demonstrating their disappointment because the Sheikh had ignored the new disposals.⁹⁷ This was the one and only lurching period of Dubai's administration, ended with the restoration of Al Maktoum family's full power.

In 1939 the wedding between Sheikh Rashid and Sheikha Latifa, daughter of Hamdan - Ruler of Abu Dhabi from 1912 to 1922, strengthened the Al Maktoum dynasty, bounding it with the royal family sovereign in the neighbouring region.⁹⁸ Once the new bridegroom took officially power, he reconsidered the council proposals and decided to put them on

⁹² R. Carter, *The history and prehistory of pearling in the Persian Gulf*, cit., p. 184

⁹³ J. Krane, *City of gold*, cit., p. 28

⁹⁴ *Ibidem*.

⁹⁵ F. Al-Sayegh, *Merchants' role in a changing society: the case of Dubai 1990-90*, cit., p. 91

⁹⁶ *Ibidem*.

⁹⁷ C. Davidson, *Dubai: the vulnerability of success*, cit., p. 34

⁹⁸ J. Krane, *City of gold*, cit., p. 31

practice, guaranteeing the loyalty of the merchant class, but at the same time standing out as a determined ruler. Consequences like these were perceived positively by the British government that preferred a sheikhdom ruled by a stable dynasty than by a bunch of merchants strictly tied to their economic necessities. The series of treaties signed with the United Kingdom from 1820 on, turned out to be advantageous since they helped to balance the internal situation of the sheikhdom: piracy was finally over and the tribal division of power evolved in a solid and lasting monarchy. Due to this balanced sovereignty Dubai managed to develop really quickly from a third world settlement to a modern and avant-garde region.

Oil discovery and a touch of modernity

During the first half of the 1900s oil explorations were the lucky chances for the entire region of the Middle East. Petroleum was discovered first in Iran (1908), than in Iraq (1927) and Bahrain (1932).⁹⁹ In 1937 the first oil concession between the British government and Sheikh Saeed was signed, fostering hopes for a new kind of economy for the sheikhdom.¹⁰⁰ Seventy-five years of exploration rights for the British company Petroleum Development (Trucial Coast) Ltd. were exchanged with an annual royalty that corresponded to \$10,000.¹⁰¹ Moreover London assured itself a preferential treatment because it was the only dealer with which Dubai could make arrangements, especially for oil concessions, cutting out the United States from that piece of land on the Persian Gulf. The first drilling operations started in Dubai without any positive outcome. Suddenly the broke out of World War II, in 1939, aggravated the situation and the British team of

⁹⁹ D. Heard D., *From Pearls to oil*, cit., p. 58

¹⁰⁰ *Ibidem*.

¹⁰¹ J. Krane, *City of Gold*, cit., p. 36

explorers left the region, dropping out the concession.¹⁰² After the war, the world was striving for a quick recovery. Prosperity and progress were brought in the 1950s only in the developed countries, where technological innovations were the main engine. In Dubai there was still nothing: the situation was so serious that the entire country did not have enough power for electric lighting. Even the Middle Eastern neighbouring territories were evolving: Egypt and Lebanon were famous locations for the film industry, while Iran was dangerously investing in the nuclear power.¹⁰³

In 1951 an Englishman called George Chapman settled in Dubai. Thanks to his arrival the city progressively started to gain some modern features.¹⁰⁴ First of all he installed a lighthouse in the creek, allowing ships to reach the port after sunset. Another problem was potable water availability.¹⁰⁵ There were not many wells in Dubai, therefore Chapman imported barrels of water coming from the Tigris River.¹⁰⁶ He was also the only liquor vendor in town, considering that the majority of population was Muslim. In the same years another big innovation rose in Dubai: the Al Maktoum Hospital was the first facility of this kind in the region.¹⁰⁷ However what was really difficult to adopt from the Western world was an efficient education system. Schools were the main structures to be shut down whenever a crisis occurred, illiteracy was very common and the education gap was wide.¹⁰⁸ Only with the formation of an expatriate population a prestigious international education system will be set up in the sheikhdom. The first major infrastructure project took shape under Sheikh Rashid sovereignty: the dredging of the creek was considered an essential procedure in order to facilitate the maritime economy.¹⁰⁹

¹⁰² D. Heard D., *From Pearls to oil*, cit., p. 59

¹⁰³ C. Davidson, *Dubai: the vulnerability of success*, cit., p. 73

¹⁰⁴ J. Krane, *City of Gold*, cit., p. 45

¹⁰⁵ *Ibidem*.

¹⁰⁶ *Ibidem*.

¹⁰⁷ *Ibidem*.

¹⁰⁸ *Ivi*, p. 46

¹⁰⁹ C. Davidson, *Dubai: the vulnerability of success*, cit., p. 106

The sea bottom of Dubai creek was very silty and cargo ships found complicate docking at the port, due to shallow waters. Unfortunately the estimated cost for the operation amounted to £600,000, a massive sum even for the Sheikh's finances.¹¹⁰ The Ruler, however, managed to raise the money through donations from merchant families, selling bonds, rising special taxes and negotiating a loan with Kuwait.¹¹¹ Finally in 1961 the creek became a proper channel, making Dubai the most accessible and influential port of the entire coast. The commercial activity increased a lot: goods arrived to be re-exported to other countries, Dubai became the main harbour for southern Iran trade operations and the most important supplier for the entire sheikhdoms federation.¹¹² Favouring this escalation there was also the arrival in the city of many merchant families from Sharjah: they moved their business to Dubai due to a natural disaster that shut down the port activities in their region. The same year an electrical system was installed in Dubai, allowing the use of different comforts that were a real salvation for the citizens, such as air conditioning.¹¹³ The arrival of the telephone brought further the sheikhdom into the international network, connecting people and local activities with the rest of the world.¹¹⁴ This incredible growth of the commerce activity generated a trade congestion that lead to the decision of creating a new port. In 1966 the construction of Port Rashid was launched and the initial plan of four berths was then extended to sixteen.¹¹⁵ Five years later the work was done and another project was taken into account: the edification of an even more big structure that will take the name of Jebel Ali Port.¹¹⁶ Combined with these infrastructure developments, massive waves of workers arrived, especially from South

¹¹⁰ *Ivi*, p. 98

¹¹¹ J. Krane, *City of gold*, cit., p. 69

¹¹² C. Davidson, *Dubai: vulnerability of success*, cit., p. 98

¹¹³ J. Krane, *City of gold*, cit., p. 71

¹¹⁴ *Ibidem*.

¹¹⁵ C. Davidson, *Dubai: vulnerability of success*, cit., p. 93

¹¹⁶ *Ivi*, p. 106

Asia (Pakistan and India mainly). These were employed in the building sector, requiring accommodations during their stay in Dubai. Consequently new areas of the sheikhdom were established for low-income housing, Karama and Satwa.¹¹⁷ Records from 1968 demonstrated that out of a total population of 65,000 inhabitants, 20-25,000 were Iranians, 12,000 came from Pakistan and 8-10,000 were Indians¹¹⁸. The majority of them were employed in the services and trades sector, as merchants and labourers.

In the 1960s oil drillings, finally gave positive results in Abu Dhabi, which soon became one of the richest and most resourceful region of the Persian Gulf. If in 1965 oil exports amounted to 2.4 million tons, three years later they rose to 24 million tons, generating an incredible fortune for the emirate¹¹⁹. Unfortunately for Dubai the situation was not that promising. As already said, the first drillings were disappointing failures. The turning point was the 1966: Sheikh Rashid was pleased to announce that oil was finally found also in his region.¹²⁰ Three years later the first export of crude oil took place, after forty-two years from the first concession agreement in the Trucial States. However the appraisals from the researchers were not that encouraging. It was estimated that Dubai had just 4% (4 billion barrels) of the total oil reserves of the entire federation, meaning that the lion's share was owned by Abu Dhabi.¹²¹ The peak for Dubai's oil industry was recorded in 1975, when it represented two-third of the gross domestic product. From this year on the importance of petroleum over the whole sheikhdom economy started to collapse. In 1985 its production was 50% of GDP, ten years later it was dangerously slipped to 18%.¹²² The sales got worse in 2000 when oil contributions fell to 10%, in 2006

¹¹⁷ A. Syed, *Dubai gilded cage*, p. 18

¹¹⁸ *Ibidem*.

¹¹⁹ J. Krane, *City of Gold*, p. 48

¹²⁰ D. Heard D., *From Pearls to oil*, cit., p. 60

¹²¹ J. Krane, *City of Gold*, p. 50

¹²² *Ibidem*.

they dropped to 3%.¹²³ It was clearly understandable that oil could not be the backbone of Dubai's economy, therefore a "plan b" was necessary. Since the arrival of the first oil revenues, Sheikh Rashid decided to invest these capitals on the infrastructural sector, which proved to be the key for the future development of the sheikhdom.¹²⁴ Oil incomes were used to build ports, roads, factories and skyscrapers that drastically transformed the urban texture of Dubai and its offers. The economy of what in 1971 had officially become an emirate was pointing towards the service sector. In the next decades new improvements were undertaken sustained also by donations from the neighbouring countries, such as Qatar due to marriage arrangements. A modern city was taking shape: Zabeel Road became the first paved road, the first bridge crossing the creek took the name of the Sheikh's family and running water was suitable for all thanks to a water supply network.¹²⁵ Following these first improvements, a municipal government and a police force were also formed for the administration and the surveillance of the community.¹²⁶ Now that the basic infrastructures were placed, the challenge for Dubai was to handle properly the commercial activity. During the year the sheikhdom proved itself to be one of the major smuggling port on the Persian Gulf relying on its earliest free trade incentives. Merchants from Iran promptly understood the importance of these benefits and started a sort of commercial cooperation: serving customers from a tax-free system was profitable for Iranian importers and at the same time Dubai was getting a share of re-exported goods sold by their partners.¹²⁷ Hundreds of ships with agricultural products from Iran unloaded their goods in Dubai, returning back home with electronic appliances and basic Western modern products such as shampoo, toothpaste, frying pans, etc.¹²⁸ This

¹²³ *Ibidem.*

¹²⁴ C. Davidson, *Dubai: vulnerability of success*, cit., p. 108

¹²⁵ J. Krane, *City of gold*, cit., p. 83

¹²⁶ *Ibidem.*

¹²⁷ A. Syed, *Dubai gilded cage*, cit., p. 14

¹²⁸ *Ivi*, p. 15

generated also movements of capital back and forth the two regions, with Iranian citizens investing lot of money in Dubai, instead of earmarking it inside their borders, damaging their homeland economy. Besides exchanging common goods, Dubai and the neighbouring port of Sharjah were famous import-export locations also for guns, diamonds and drugs (mainly hashish, opium and heroin from Afghanistan).¹²⁹ A retired U.S. diplomat in the United Arab Emirates, Charley Kestenbaum, used these words to describe the hidden pattern that made - and still makes - the trade situation in Dubai advantageous: “Its whole economic function was aimed at evading the rules and regulations of other countries in the region.”¹³⁰

From vessels to aircrafts

The 1970s could be considered a sort of renaissance for Dubai: the term has not to be intended in its cultural acceptance, but as a new course of development. Since the discovery of oil and the independence from the British authority, a proper modern city was erupting in the Middle East. The first symptom of this evolution was the population growth and therefore the size of the urban area: it was reported that in 1970 100,000 people were contained in a seven-square mile area, but the amount increased during the years, reaching 183,000 people in eighteen square miles in 1975 and no less than 276,000 people in thirty-two square miles in 1980.¹³¹ The majority of these new inhabitants were expatriates, mainly labourers imported from India and Pakistan to work on the oil fields. Sheikh Rashid’s ambitions went further: he did not want Dubai to be just an oil producer, he wanted to convert the sheikhdom into a huge centre for trading activity. He began commissioning the Dubai Aluminium smelter in 1979, followed by a skyscraper in the

¹²⁹ *Ivi*, p. 16

¹³⁰ J. Krane, *City of gold*, cit, p. 73

¹³¹ J. Krane, *City of gold*, cit., pp. 76-77

middle of the desert that will take the name of Dubai World Trade Centre, but the colossal project was definitely Jebel Ali Port.¹³² Located in the southern part of the coast, the new port with its sixty-seven berths, is today renowned as “the world’s largest man-made harbour” using Krane’s words¹³³. This infrastructure represented the first example of Sheikh’s investment gambles: people were sceptical about the construction of this facility outside the centre of the city and the premises in the 1980s were not that encouraging. The main trading activities were still taking place in Port Rashid (implemented in 1971 with a total of sixteen berths), until the decision to convert Jebel Ali into a manufacturing district and a free zone.¹³⁴ First of all it was applied an exemption from the federal government’s 5% import duty and from the Companies Law, that forbade a majority foreign ownership for whichever kind of business activity.¹³⁵ This was a special concession applied only in this area of Dubai, whereas in Abu Dhabi, for example, foreign firms were required to find a local partner that has to take a stake of 51% minimum.¹³⁶ These were the exclusive conditions for companies that could exploit the area for importing raw materials, assembling finished products and re-exporting them. If in the first years of the 1980s there were only few companies that established their activities in Jebel Ali, but their number increased stunningly the following decade with two hundred firms.¹³⁷ By 2006 this special economic zone counted more than 6,000 business activities, proving that the Sheikh gamble was a real success. Jebel Ali, however, was not a district where high technology was developed, it was more an import-export area for textiles and rubber products.¹³⁸ Considering the outstanding results achieved with the installation of

¹³² *Ivi*, p. 78

¹³³ *Ivi*, p. 79

¹³⁴ C. Davidson, *Dubai: vulnerability of success*, cit., p. 93

¹³⁵ A. Syed, *Dubai gilded cage*, cit., p. 36

¹³⁶ *Ivi*, p. 37

¹³⁷ J. Krane, *City of gold*, cit., p. 125

¹³⁸ *Ivi*, p. 126

the free zone and the need for the sheikhdom to develop a more technologically advanced economic sector, in the last years of the 1990s the new ruling Sheikh Mohammed, following the steps of his predecessor, planned the construction of two other cluster areas that will accommodate information technology and media industries.¹³⁹

The 1980s was a peculiar decade characterized by ups and downs. The geopolitical situation in the Middle East was highly instable due to the invasion of Iran launched by the Iraqi leader Saddam Hussein in order to enlarge his territory and increase his oil resources.¹⁴⁰ Since the first attacks ended up unifying and empowering Iran under the guide of Ayatollah Khomeini, in 1984 the strategy of Iraq changed: the new targets were tanker ships full of oil. The key for Iraqi victory was the annihilation of his enemy's economy.¹⁴¹ In four years more than five hundreds of commercial watercrafts had been taken down, endangering the commercial and financial sectors of the Gulf region, affecting also the trend of the global economy. Dubai was understandably involved in this downward tendency: oil price reached its climax, business was setting back and so did the trade activity. It was estimated that the 1980s was the slow decade of development of the sheikhdom since the 1950s.¹⁴² Nevertheless, the Ruler knew how to take action also in this fragile moment. A dry dock facility was opened in 1983 next to Port Rashid, taking the name of Dubai Dry Docks.¹⁴³ It was the first large structure of this kind in the entire Persian Gulf, therefore it was the only place where any kind of vessel could be repaired, even the gigantic tanker ships damaged by the war campaign of those years.¹⁴⁴

¹³⁹ *Ibidem.*

¹⁴⁰ *Ivi*, p. 92

¹⁴¹ *Ibidem.*

¹⁴² *Ibidem.*

¹⁴³ S. Ramos, *Dubai amplified, cit.*, p. 98

¹⁴⁴ *Ibidem.*

Meanwhile the prestigious and forward-looking Sheikh Rashid was getting sick and old, but his role was efficiently maintained by his third son Sheikh Mohammed, who took over the government of the sheikhdom, even if his elder brother was officially the one in charge. The ambition of the young Al Maktoum was for sure the clue for his success, combined with a perfect timing, the same that characterized his father.¹⁴⁵ His most brilliant idea was turning Dubai in a vacation destination. At that time foreigners that were in Dubai for business did not have so much choice for their accommodation and beside the infrastructural improvement during Sheikh Rashid's reign, the sheikhdom resulted quite bare and plain. Before starting the revolutionary and majestic constructing project that still distinguish Dubai today, Sheikh Mohammed focused his attention on the development of Dubai's aviation sector.¹⁴⁶

Since the 1950s Dubai had been eager to create and improve a proper facility for its own aviation industry. At that time a dispute with the sheikhdom of Sharjah inflamed the relations between the two. In that period, Dubai re-exported gold coming from England and the United States to India (where its imports were banned). Since Dubai did not have an airport, cargo flights were allowed to land in the nearest facility located in Sharjah.¹⁴⁷ For this particular agreement Dubai had to pay a duty to the next-door sheikhdom on all the incoming goods. The total amount of money given to Sharjah could have been used for the construction of an airport in Dubai, therefore in 1959 Sheikh Rashid decided to start building his own facility, helped by the British aviation consultancy.¹⁴⁸ One year

¹⁴⁵ J. Krane, *City of gold*, cit., p. 100

¹⁴⁶ *Ibidem*.

¹⁴⁷ C. Davidson, *Dubai: vulnerability of success*, cit., p. 93

¹⁴⁸ *Ivi*, p. 94

later Dubai's airport was finished and in 1969 it served twenty destinations: this was just the beginning, soon it will become one of the main hub of the Gulf region.¹⁴⁹

The big step arrived few years later, when the decision to transform Dubai into a leisure location persuaded the sheikh to announce an innovative project. In 1985 Dubai launched a national airline that took the name of Emirates.¹⁵⁰ Starting with a fleet of four planes that served mainly the Middle Eastern and South Asian routes, the company became a prosper business for its owner, the Dubai's royal family.¹⁵¹ The initial strategy of Emirates was to grant a high quality service to its customers, who soon increased in number reaching 1.5 million passengers in 1992. In few years, the company grew in size and value, adding even more international routes and expanding its fleet: the key for success was competition. The open-sky policy put into effect by the government of Dubai had been extremely useful for encouraging further development in the aviation industry and Emirates airline was the perfect example of the advantages entailed by this approach.¹⁵² Moreover, the success of the company grew further thanks to a combination of external factors: for example, Emirates was the only airline that kept on providing connections in the Middle Easter region during the Gulf War, taking a great advantage over the competitors which suspended their routes in that area.¹⁵³ Thanks to the profits collected in that period, Dubai's government managed to increase its fleet with Boeing 777 and cargo aircrafts and to expand its offer, which covered intercontinental destinations. Even in the aftermath of the 9/11 attacks when the aviation business registered a sharp decline worldwide, Emirates managed to limit the damage continuing its expansion, demonstrating its solidity as an independent and accomplished business entity.¹⁵⁴

¹⁴⁹ *Ibidem.*

¹⁵⁰ J. Krane, *City of gold*, cit., p. 105

¹⁵¹ *Ivi*, p. 106

¹⁵² A. Syed, *Dubai gilded cage*, cit., p. 21

¹⁵³ *Ibidem.*

¹⁵⁴ J. Krane, *City of gold*, cit., p. 107

Shaping the city for success

As already said, in the 1990s there were not many facilities hosting people who were coming to Dubai, but Sheikh Mohammed's plan implied the arrival of a large number of tourists, especially after the launch of the airline company. Therefore the following step in order to reach a complete development of the city was the upgrade of its urban structure. The one and only structure for tourists already existing was the Chicago Beach Hotel, located outside the centre of Dubai.¹⁵⁵ Obviously something needed to be done in order to improve the sector. The first revolutionary project started in 1992 with the commission of a new resort on the beach that will take the name of Jumeirah Beach Hotel.¹⁵⁶ The Sheikh assigned the job to an English architect, W. S. Atkins, pointing out that the result had to be – quoting Krane's words – *instantly recognizable by everyone on the planet*.¹⁵⁷ This was the unavoidable requirement which all the future urban projects should follow. All the buildings in Dubai had to be iconic, sumptuous and magnificent like no others: this was the bedrock for the city in order to stand out. Two years later another project was committed to the architect Tom Wright.¹⁵⁸ This time what had to be built was more than a facility, it had to symbolize the Arab pride and to be recognised as one of the great Muslim building. The Tower of the Arabs, better known as Burj Al Arab, was a stunning project for its architecture: it would be the tallest hotel in the world built on an island in the middle of the sea.¹⁵⁹ It was also beyond comparison from a touristic point of view, considering that it would be internally divided in 202 luxurious giant suites.¹⁶⁰ There was any limiting budget for these projects, but the main problem was the lack in experience of the local constructors: engineers, crews,

¹⁵⁵ Ivi, p. 102

¹⁵⁶ C. Davidson, *Dubai: vulnerability of success*, cit., p. 121

¹⁵⁷ J. Krane, *City of Gold*, cit., p. 112

¹⁵⁸ *Ibidem*.

¹⁵⁹ Ivi, p. 113

¹⁶⁰ *Ibidem*.

labourers, material had to be imported in the sheikhdom. Beyond building skyscrapers, foreign contractors had to teach how to erect structures with a technological equipment that was still unknown in the region. Moreover they had to conform their procedures to the incredibly short deadlines that the Sheikh imposed, Dubai was a fast-running city and therefore everything had to be done as fast as possible. Soon the urban texture of the city became unrecognisable, if we think that just few years ago it was mainly an empty land surrounded by the desert. The construction activity actually became one of the main industry of the sheikhdom, which worked in order to make hotels as real destinations for tourist. The main scheme behind this concept is the one that attracts foreign people to pay in order to get an accommodation in a particular famous building among the many hotels advertised in travel magazines, brochures, book-guides or TV programmes.¹⁶¹ Marketing is another big engine for Dubai: it is all about branding things - facilities, shops, services, etc. - until the city becomes the well-known and recognisable trademark of itself. For this purpose in 1997 it was established the Department of Tourism and Commerce Marketing (DTCM) which have two main areas of competence: promoting Dubai in the international commercial and tourist network and planning, developing and supervising the entire Emirate's tourist sector.¹⁶² Beside the marketing activities through the media, the DTCM directly controls the accommodation system - taking care of the licensing of apartments, hotels, tour operators and transport companies – and archaeological and heritage sites, with the organisation of specific tour guides.¹⁶³

The transformation process of the sheikhdom was surprisingly fostered by the September 11 attacks. In the past years, Gulf Arabs invested their capitals outside the Middle East region, especially in the United States. In 2001 this tendency was reversed and money

¹⁶¹ I. Yeoman, *Tomorrow's tourist scenarios and trends*, Oxford, Elsevier Ltd., 2008, cit., p. 88

¹⁶² *Ivi*, p. 97

¹⁶³ *Ibidem*.

returned back home, marking a positive trend in the economies of Arab countries for the following six years.¹⁶⁴ The U.S. Patriot Act with its declaration of war against the Muslim world damaged deeply the image of Arab investors. The money influx inflated a bubble of prosperity for all the Gulf Cooperation Council countries: Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and United Arab Emirates. Records reveals that between 2001 and 2008 UAE's gross domestic product increased more than 60%.¹⁶⁵ If we consider that in the same years the growth rate of U.S. economy was 18%, the contrast is striking.¹⁶⁶ Post-9/11 investment in the Gulf countries reached more than \$2 trillion, directed towards the infrastructural sector. Nearly 40% of this money were invested in the UAE, mainly in Dubai where the growth rate was faster than the one of China.¹⁶⁷ The population in Dubai burst reaching 2 million in 2008, therefore the urban area expanded incredibly: artificial islands were created alongside the coast and new settlements rose nearby the desert. In 2002 Sheikh Mohammed declared possible for foreigners to buy homes in the sheikhdom.¹⁶⁸ This decision was another winning move in Dubai's history: the Emirate was already the most promising location for expatriates and all of a sudden it was the only place in the whole Gulf region where they could buy buildings for their activities and families. In order to make foreigners more comfortable with the setting, the Ruler arranged the urban structure in Western-style: neighbourhoods were named as Californian locations (e.g. The Springs, Emirates Hills, etc.), swimming pools, golf courses and tennis courts spread here and there.¹⁶⁹ The real estate boom exploded with extravagant skyscrapers, resorts, residences and complexes flourishing all over the city in zero time, acclaimed and promoted as unique buildings provided with all the most luxurious

¹⁶⁴ W. Hazbun, *Beaches, ruins, resorts*, Minneapolis, University of Minnesota Press, 2008, p. 212

¹⁶⁵ J. Krane, *City of gold*, cit., p. 119

¹⁶⁶ *Ibidem*.

¹⁶⁷ *Ibidem*.

¹⁶⁸ A. Syed, *Dubai gilded cage*, cit., p. 56

¹⁶⁹ C. Davidson, *Dubai: vulnerability of success*, cit., p. 121

services. Among the many incredible man-made projects there are two Palm Islands emerging from the water along the coastline, an archipelago of 300 islands, each one representing a real country and therefore named The World and the Burj Khalifa, the tallest building on earth with its 163 floors and 828 m high. The fast-growing Dubai broke every existing record as a tourist location: in 1990 it counted 600,000 visitors per annum that grew to 1.3 million five years later. 3.4 million people visited the Emirate in 2000 and not surprisingly their number reached 6.5 million in 2007.¹⁷⁰ The same happened for the population, according to the report published by the Dubai Statistics Centre the situation developed over the years as follows:

FIGURE 4: DUBAI POPULATION RATES¹⁷¹

	1993	2000	2005	2012
Total population	610,926	862,387	1,321,453	2,105,875

The number of the expatriates in Dubai increased widely with the creation of new business. The problem was that there were not enough buildings apartments for these people: the two factors were running on unparalleled rails. This triggered a distorting housing market that inflated the prices and brought the real estate market down, as we will see further on.

In order to enhance this attraction of tourists, business – and therefore capitals – Dubai invested also in the development of its entertaining offer.¹⁷² Starting with few restaurants and two cinemas in 1960, things are really different today. The giant hotel structures provided a variety of bars and nightclubs for both customers and residents, lighting up the nightlife in the sheikhdom. Other proposals are trips into the desert, gulf cruises or

¹⁷⁰ Ivi, cit., p. 123

¹⁷¹ Dubai Statistics Centre, *Population by sex and age groups*, Dubai, Dubai Statistics Centre, 2012, p. 1

¹⁷² C. Davidson, *Dubai: vulnerability of success*, cit., p. 122

different kinds of festivals. The largest event in the whole federation is the Dubai Shopping Festival, flanked by the Summer Surprises festival for the promotion of regional tourism in the incredibly humid summer months.¹⁷³ Other events are dedicated to the performing arts, such as the Dubai International Film Festival, the Dubai Desert Rock and the International Jazz Festival.¹⁷⁴ The sheikhdom hosts also several sport events: the most famous sector promoted by the government is the world's richest horserace, the Dubai World Cup, followed by golf and tennis tournaments, rugby and cricket competitions, all of which, besides tourists, usually bring experts and celebrities such as Tiger Woods, Roger Federer and Andre Agassi.¹⁷⁵ Business investments are pushed thanks to the organisation of trade shows and exhibitions. For example Dubai GITEX is the third largest international event for the IT sector organised every year in the Emirates since 1998.¹⁷⁶

In 2013 Dubai was competing with other three cities – İzmir in Turkey, Yekaterinburg in Russia and São Paulo in Brazil – in order to host the World Expo 2020, a six-month event that takes place every five years in a selected location.¹⁷⁷ The city was candidate with the theme 'Connecting Minds, Creating the Future', a choice that has revealed to be the right one, since Dubai has been declared the winning city by the end of November. In 2020, the World Expo will be the first event of this kind held in the Middle East region.¹⁷⁸

Free trade zone mania and Dubai Healthcare City

Apart from the most recent achievements as a tourist venue, Dubai's economy stands on the business activities that the city hosts in its shining high-rise buildings.

¹⁷³ *Ivi*, p. 124

¹⁷⁴ *Ivi*, p. 125

¹⁷⁵ *Ivi*, p. 126

¹⁷⁶ *Ivi*, p. 125

¹⁷⁷ Expo2020, Dubai UAE, <http://expo2020dubai.ae/en> retrieved 03.01.2014

¹⁷⁸ *Ibidem*.

Starting in the 1980s with the project of Jebel Ali free port, Sheikh Mohammed understood that other economic sectors would benefit from the implementation of other free zones, propelling further the business of the sheikhdom. It was also a manoeuvre to attract new foreign investments, especially since researchers alarmed the Ruler with a report demonstrating that Dubai's petroleum reserves were going to be depleted soon, unlike in the neighbouring Abu Dhabi. The second free trade zone was announced in 1999, but this time tax reliefs and fiscal exemptions would favouring information technology companies only guaranteeing no corporate or income duty, unlimited visas for foreign employees and no limit imposed on the repatriating capital.¹⁷⁹ With this initiative Dubai was also ensuring itself a place inside the world of the modern technology. A midlevel employee in the Dubai Department of Economic Development, Mohammed Gergawi was recruited by the Ruler in order to give birth to Dubai Internet City (DIC).¹⁸⁰ It was realized in record time: the project was launched in 1999 and one year later it opened, housing 3,000 workers and almost 200 foreign companies, among them Microsoft Oracle and Hewlett-Packard.¹⁸¹ The success of the free zone model inspired other Middle East countries to follow the same path of Dubai, but most of all Internet City kept on attracting new international firms willing to take their spot in the tax-free sheikhdom, therefore new buildings had to be erected. Data from 2007 reveal that Gergawi's project had been expanded into twenty-five facilities, where 900 companies are located.¹⁸² Dubai Internet City however shows an interesting deficiency, albeit it is well-concealed: the main reason for its creation was the technological advancement of the emirate, but instead of research and development, the only things that

¹⁷⁹ C. Davidson, *Dubai: vulnerability of success*, cit., p. 114

¹⁸⁰ J. Krane, *City of Gold*, cit., pp. 129-130

¹⁸¹ *Ibidem*.

¹⁸² *Ivi*, p. 131

had been brought were investments, expatriates and products that need to be sold.¹⁸³ Companies prefer developing software in countries such as India or Israel, where there is plenty of advanced technological knowledge and where their research centres are settled. Few years later, in 2007, the creation of another free zone was given to Gergawi. This time the deal was granted only for media companies with the same fiscal and bureaucratic benefits of DIC. Dubai Media City (DMC), this is the name of the new tax-free area, hosts renowned media companies such as Reuters, BBC, Associated Press, modelling agencies, web developers, book and magazines publishers, public relations firms and it was even chosen by Al Arabiya for establishing its headquarter¹⁸⁴. The big deal was made due to all the Arab journalists and writers that would be censored for unsuitable content in their home countries. Moreover Dubai is located in a perfect position for all the reporters and correspondents that travel all over the Middle East: it offers a great number of connecting flights for different war-zones that are reachable in few hours, such as Afghanistan, Iraq, Pakistan, Lebanon, etc. The importance of Media City lies also in its marketing resources, fundamental in order to advertise the new majestic look of Dubai.

New facilities and projects that rise in the city are directly promoted by the companies at an international level, attracting mainly Western customers. The other side of the coin is represented by the evidences reporting the ugliness that lie behind the luxurious development of the city, in this case exploited labourers, prostitution, drug dealing and corruption.¹⁸⁵ The freedom of expression is guaranteed by Sheikh Mohammed only if every accusing report is supported by evidences and proofs. Despite this condition – we have always to remember that the UAE is a monarchy and democracy is still not

¹⁸³ C. Davidson, *Dubai: vulnerability of success*, cit., p. 186

¹⁸⁴ J. Krane, *City of Gold*, cit., p. 131

¹⁸⁵ A. Syed, *Dubai gilded cage*, cit., p. 191

considered by the Al Maktoum family – in 2008 DMC counted nearly 1,000 companies allocated in 24 buildings.¹⁸⁶

From the idea of these three free trade zones – Jebel Ali Port, Dubai Internet City, Dubai Media City – Sheikh Mohammed continued to create new tax-free projects. Today in Dubai there are Silicon Oasis, Sports City, Investment Park, Studio City, Motor City, Logistics City, Humanitarian City, Maritime City, Golf City and many more.¹⁸⁷ It is surprisingly how this mechanism worked so well that it has been adapted for many other sectors. As already said, all these tax-free environment did not bring in Dubai the development activities that the Sheikh would have expected. A certain kind of exception is represented by Healthcare City.¹⁸⁸ This cluster zone was offered to Harvard Medical School in 2004 to establish an advanced medical centre inside the sheikhdom.¹⁸⁹ The proposal grew out from the inefficiency of Dubai's healthcare system: rich Arabs used to fly to western countries, where they could receive proper treatment when sick.¹⁹⁰ The deal was made and Harvard agreed to base its teaching and researching activities inside the sheikhdom, operating with the latest advance technology financed by the Ruler, who allocated \$1 billion in order to improve the medical sector of its own country.¹⁹¹ Today Dubai Healthcare City (DHCC) includes two hospitals, with medical centres and diagnostic laboratories, where almost 3,700 licensed professionals find employment.¹⁹² These structures are sustained by Mohammed Bin Rashid Academic Medical Centre (MBR-AMC), the education and research system where high-quality programs in the fields of medicine, nursing and other therapeutic disciplines are offered.¹⁹³

¹⁸⁶ *Ivi*, p. 114

¹⁸⁷ J. Krane, *City of Gold*, cit., p. 132

¹⁸⁸ *Ibidem*.

¹⁸⁹ Dubai Healthcare City, Overview, <http://www.dhcc.ae/about-us> retrieved 06.11.2013

¹⁹⁰ C. Davidson, *Dubai: vulnerability of success*, cit., p. 173

¹⁹¹ J. Krane, *City of Gold*, cit., p. 133

¹⁹² Dubai Healthcare City, Overview, <http://www.dhcc.ae/about-us> retrieved 06.11.2013

¹⁹³ *Ibidem*.

CHAPTER II

Three stages of development

Professor Yasser Elsheshtawy wrote:

One of the myths which I hope to dispel in this chapter is the notion of an oil city which emerged out of nothing, from the desert. While this is the typical Western view, one cannot discount the hand of officialdom in propagating this myth – a narrative of miraculous development, guided by the wisdom of the city’s ruler. Nothing could be further from the truth.¹⁹⁴

In other words: when we analyse the economy of a wealthy country in the Middle East, we tend immediately to think about oil and the incredible profit that derives from this market. The structure of the region however is not uniform: different and fragmented entities coexists in the same Arab environment. Historical facts shaped the economy of each nation into numerous realities. The United Arab Emirates are a perfect example of this economic diversity: inside the federation, there are clear differences among its members. Abu Dhabi and Dubai, for example, followed two distinctive development paths: the former emirate built its wealth due to its flourishing oil reserves, while the latter based its economy mostly on commerce and service, since its natural resources were not enough in order to support the entire sheikhdom. Especially in the case of Dubai, many

¹⁹⁴ Y. Elsheshtawy, *Dubai: behind the urban spectacle*, cit., p.60

were the factors and the actors involved in the economic development process of the emirate, which can be divided in three different stages:

- I. pearling and trade
- II. oil production
- III. infrastructures and service industry

The main characters of the first phase were merchants coming from the neighbouring regions, especially Persia and India. In the second stage, the British influence played an active and significant role in the searching and administration of oil production, helping also with the first infrastructural development of the urban landscape. The last and more recent phase directly involved foreign investors and customers, bringing the role of the expatriate to light. It is important to understand that, inside the flow of events of Dubai's history, these stages were not detached one from another, but they were strictly interconnected. Between each phase, their main economic activities overlapped for a period of time, before one out the two took off, emerging as the dominant business.

PEARLING IN THE GULF AND TRADING WORLDWIDE

The population of the region currently known as United Arab Emirates was divided in many tribes, settled in various areas of the country, according to the geographical diversity of the territory. Three main regions were identified, each one provided with a distinctive set of natural resources that characterized the kinds of economy and the lives of people that were settled there.¹⁹⁵ In the Hajar Mountains, agriculture was practiced using the terracing technique and taking advantage of the winter rains that made the soil

¹⁹⁵ S. J. Ramos, *Dubai amplified*, cit., p. 52

fertile. Fruits and vegetables, such as mangoes, grapes, bananas, figs, sweet potatoes and onions were cultivated while sheep, goats, donkeys and camels were bred.¹⁹⁶ Very few tribes lived in the sandy desert, settled mainly in few oases, where they could find water. Here people cultivated the date palm, which could survive to high temperatures and intense water salinity. The camels were the other main resource of these tribes: they were means of transport, producers of milk and other goods, their hide was used for making utensils and they were also the principal mean through which obtaining goods, selling or bartering them.¹⁹⁷ Life on the coasts and in the islands was very different: the atmosphere was more dynamic and active due to the intense exchanges that took place in the ports. The tidal shallows permitted to fish without expensive equipment, using traps or nets. Then the catch was not eaten fresh, but it was left drying in the sun or treated with salt in order to be taken into markets.¹⁹⁸ In the famous *souqs* built in this region, people from all over the Persian Gulf came to exchange their goods with other products. Usually the tribal communities, living in the oases or in the mountains, came here exchanging their vegetables and fruits with the fish that they could not find inland¹⁹⁹. Another precious good was traded in the *souqs*, attracting merchants coming from outside the boundaries of the Persian basin: these valuable products were pearls.

¹⁹⁶ F. Heard-Bey, "The Beginning of the post-imperial era for the Trucial States from World War I to the 1960s" in I. Al Abed, P. Hellyer (edited by), *United Arab Emirates: a new perspective*, London, Trident Press, 2001, p. 109

¹⁹⁷ *Ivi*, cit., p. 104

¹⁹⁸ *Ivi*, cit., pp. 105-106

¹⁹⁹ *Ivi*, cit., p. 113

FIGURE 5: PEARLING IN THE PERSIAN GULF²⁰⁰



The first evidences of the awareness of pearls in the Persian Gulf were traced back to the 4th and the 3rd centuries BCE and archaeologists agreed that, by the 1st century BCE, the pearling activity was a common practice in the whole region.²⁰¹ This indicates that pearling was more than an economic industry among the inhabitants of the Arabian shores: it was a proper ancient tradition. The Persian Gulf was the perfect environment for the cultivation of pearl banks: its shallow and salty water was warmth enough for the growth of oysters.²⁰² Known as *lulu* in Arabic²⁰³, pearls were an important resource for the people living in the coastal areas and in the islands. The diving activity was a seasonal practice: it usually took place from June, when the crews sailed to reach the pearl banks,

²⁰⁰ R. LeBaron Bowen, "The pearl fisheries of the Persian Gulf", *Middle East Journal*, V (1951), 2, p. 181

²⁰¹ R. Carter, "The history and prehistory of pearling in the Persian Gulf", *Journal of Economic and Social History of the Orient*, XLVIII (2005), 2, p. 158

²⁰² J. Krane, *City of gold*, cit., p. 26

²⁰³ UAE Interact, Pearls and Pearling in the UAE, <http://www.uaeinteract.com/history/trad/trd08.asp>, retrieved 12.10.2013

to September, but it could last more if climate conditions were favourable.²⁰⁴ The pearling industry was sustained by different kinds of merchants, financiers and agents that were involved at different stages of the process. Generally, pearl divers and the rest of the crew borrowed the capital from their patrons, who were paid back at the end of the season.²⁰⁵ Quoting Professor Victoria Penziner Hightower: “The pearl was a valuable commodity throughout history because it was low bulk, high value, and relatively easy to acquire and transport”.²⁰⁶ This explains the great success of the pearl industry in the Middle Eastern countries, where, at that time, there was lack of resources and technological equipment. Once the crew reached the chosen pearl bank, divers used to descend with any apparatus but a rope with weights tied to their bodies, in order to linger underwater. Then they collected the oyster shells, which were placed in a bag. When they did not manage to hold their breath anymore, they were hauled back to the surface by the rest of the crew.²⁰⁷ The refusal to use any kind of equipment was a clear attempt to preserve the pearling activity as a traditional practice of the Persian Gulf.²⁰⁸

The British Empire, as soon as it arrived in the Trucial Coast, understood the importance of this activity for the support of the entire population. Not only the rulers, merchants and financiers profited by pearling revenues, but also the entire coastal population took advantage of the opportunities that derived from this business.²⁰⁹ The flourishing of this industry brought to the main ports of the Gulf merchants coming from different countries, such as Persia and the Turkish dominions, but the majority of them was from India. Bombay (Mumbai) was one of the main markets of the entire world, whence goods were

²⁰⁴ R. Carter, *The history and prehistory of pearling in the Persian Gulf*, cit., pp. 141-142

²⁰⁵ UAE Interact, Pearls and Pearling in the UAE, <http://www.uaeinteract.com/history/trad/trd08.asp>, retrieved 12.10.2013

²⁰⁶ V. Penziner Hightower, “Pearls and the Southern Persian/Arabian Gulf: A Lesson in Sustainability”, *Environmental History*, XVIII (2013), 1, pp. 45

²⁰⁷ J. Krane, *City of gold*, cit., p. 26

²⁰⁸ R. Carter, *The history and prehistory of pearling in the Persian Gulf*, cit., p. 141

²⁰⁹ Ivi, p. 46

then dispatched abroad.²¹⁰ Considering the relationship between Great Britain, India and the Trucial Coast, it is not surprising that the English government intervened to protect the stability of the trade routes from the biggest menace of that time: piracy. Therefore, a series of treaties was signed in the first half of the 17th century, reinforced by the Perpetual Maritime Truce agreement in 1853²¹¹, aiming what follows:

The network of truces engineered by this document designed to keep the Gulf free of declared inter-tribal warfare at sea and by doing so to prevent the forcible disruption of the pearling industry that gave the sheikhdoms their main livelihood. It further provided that the British government would “watch over the maintenance of the peace which had been concluded, and take steps to ensure observance of the articles.”²¹²

This truce was not in favour of a British political involvement in the Gulf, it was just a manner to safeguard the commercial activity in the region: they had a defensive role inside the basin. It is important to underline that Britain never controlled the trade of their protectorates, leaving the business in the hands of sheiks and merchants, in order not to intrude itself in the local interests, risking insurrections and uprisings.²¹³ The changes brought by these agreements were visible in the considerable growth of Dubai’s fleet: in 1844 the number of boats involved in the pearling business was 90, whereas in 1907 it increased reaching 335 vessels.²¹⁴ With this incredible development, by the 19th century, Dubai was rated as the second most important pearl market of the Gulf, right after Bushehr (Iran).²¹⁵

²¹⁰ Ivi, p. 159

²¹¹ U. Rabi, *Britain’s special position in the Gulf*, cit., p. 353

²¹² *Ibidem*.

²¹³ V. Penziner Hightower, *Pearls and the Southern Persian/Arabian Gulf: A Lesson in Sustainability*, cit., p. 50

²¹⁴ R. Carter, *The history and prehistory of pearling in the Persian Gulf*, cit., p. 160

²¹⁵ *Ibidem*.

Another important event enhanced the pearling industry in the Trucial Coast: in 1902, the Iranian city of Bandar Lengeh, one of the most influential port of the Persian region, lost his tax-free status, with heavy outcomes for the commercial activities.²¹⁶ Many merchants located in this harbour decided to move their business in a more profitable environment and they chose Dubai. The economic boom, coming from the trade movements, triggered an immigration flow that brought to an increase of the foreign population settled on the coast of the sheikhdom.²¹⁷ Moreover, pearls were often exchanged for goods that were not available in the surroundings, especially foodstuff, water and finished products.²¹⁸ The growing amount of these supplies entailed a change in the distribution of the local population inside the borders of the emirate. During the diving season bedouins settled inland in the mountains or in the oases, used to travel to the coastal souqs to sell their products and buy imported supplies. This practice became soon a usual activity: some tribes decided to leave their villages for good to move near the coast in order to take advantage of the imports.²¹⁹ This mechanism of relocation was another example that shows how population depended on the pearling business in order to provide themselves nourishment. Therefore, especially during the last decades of the 19th century and in the 20th century, new settlements arose along the Gulf. The population grew and started to take the multiethnic characterization that today is still well-rendered²²⁰. Suddenly “one of the most inhospitable region of the planet”²²¹, as Robert Carter defined it, became a crucial and active commercial hub of the Middle East: the pearling industry was the first step for Dubai’s integration in the global economy. Furthermore, the international and

²¹⁶ Ivi, p. 179

²¹⁷ C. Davidson, *Dubai: the vulnerability of success*, cit., pp. 97-88

²¹⁸ R. Carter, *The history and prehistory of pearling in the Persian Gulf*, cit., p. 189

²¹⁹ F. Heard-Bey, *The Tribal Society of the UAE and its Traditional Economy*, cit., p. 114

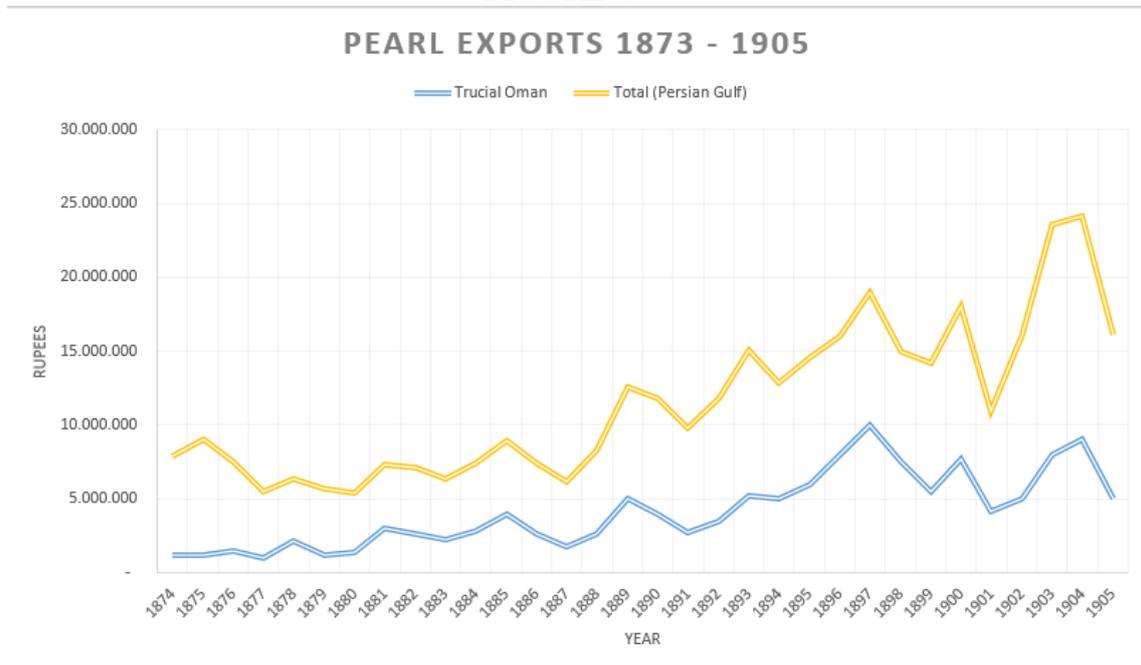
²²⁰ R. Carter, *The history and prehistory of pearling in the Persian Gulf*, cit., p. 189

²²¹ *Ibidem*.

intensive dimension in which this business had been developed overrode the problem of the resource limitations that affected the sheikhdom for centuries.

By the last quarter of the 19th century the pearling activity in the harbour centres of the Trucial Coast was experiencing a real boom: between 1873 and 1905 the value of pearl exports almost quintupled and the price of the product grew as well.²²² Gulf *lulu* were direct to new pearl markets that arose at an international level: after Bombay and Paris, London and even the United States became active centres for buying and selling this precious good.²²³

FIGURE 6 ²²⁴



As shown in the table above, the outbound flow of pearls in was estimated to be 1.180.000 rupees in the years 1873-'74, while in 1904-'05 it amounted to 5.000.000 rupees.²²⁵ These

²²² R. Carter, *The history and prehistory of pearling in the Persian Gulf*, cit, p. 159

²²³ V. Penziner Hightower, *Pearls and the Southern Persian/Arabian Gulf: A Lesson in Sustainability*, cit., p. 47

²²⁴ Data derived from the tables founded in R. Carter, *The history and prehistory of pearling in the Persian Gulf*, p. 200

²²⁵ *Ibidem*.

numbers did not necessarily mean that there was an increase of exports. In the 1870s, the pearling industry was operating at maximum productivity, but its profits were not at the same level.²²⁶ In the following years, the interests on these precious goods grew further, even if their availability did not change. Therefore, prices had been raised with the purpose of discouraging the demand, due to shortage of the supply. It had been reached a stage of exploitation that was impossible to overcome: the yield of the pearl banks was already at its peak. Even with the use of modern techniques and appliances for diving, a greater degree of production would not have been achievable.²²⁷ Men had to face the limits that Mother Nature was imposing upon them. Despite these boundaries, the number of boats involved in the diving practice significantly increased, trying to handle the flourishing demand.²²⁸ As already said, the diagram shows a general boost of the pearling business between the Trucial Oman and the whole Persian Gulf, however some fluctuations are visible in the same lapse of time, especially in the first years of the 20th century. Since the pearling business was strictly connected with the environmental conditions of the sea, it was obvious that bad weather or epidemics could damage the harvest and consequently the seasonal profits. In order to safeguard and to improve the quality of the pearl banks, local fishermen believed that shells could be a sort of fertilizers for oyster fields.²²⁹ Once the pearl was pull out from its holder, the shell was thrown back in the sea. This procedure lasted since the mother-of-pearl, another natural sea-product, became popular among the merchants, especially Europeans. The iridescent substance was a very refined material used for decorations, jewels and utensils. The profits of this good were higher than pearl's revenues.²³⁰ Besides its preciousness, there was a practical

²²⁶ *Ivi*, p. 157

²²⁷ *Ibidem*.

²²⁸ *Ivi*, p. 198

²²⁹ *Ivi*, p. 158

²³⁰ V. Penziner Hightower, *Pearls and the Southern Persian/Arabian Gulf: A Lesson in Sustainability*, cit., p. 51

issue that caused the increase of the price of mother-of-pearl: its transportation. The general type of vessels employed for the pearl diving were not big enough to carry bulky and heavy cargoes of shells.²³¹ Therefore, either fishermen had to travel back and forth from the oyster fields more often than usual, or pearling companies had to expand their fleet. In different Gulf locations, this problem was soon put aside since pearl boat captains decided to end the removal of the oysters from their sea-beds, forbidding the sale of mother-of-pearl. Bahrain was the first site introducing this disposal in 1910, followed by other Arab traders in the rest of the Persian Gulf.²³² They wanted to preserve the natural conditions of the seascape, trying to avoid or at least limiting any kind of overexploitation. However, the collapse of the pearl industry was not caused by the extinction of the oysters due to human intervention on the marine environment. The resources did not cease to exist; it was the industry itself that declined. The first signs of instability began in the 1920s, when Japanese cultured pearls made their first appearance in the international market²³³. They were sold for a third of the price of natural pearls: their lower value represent a real danger for the Gulf fishermen.²³⁴ Moreover, these unfortunate circumstances were worsened by the consequences triggered by the Great Depression starting in 1929. The repercussions on the economy caused by the Second World War affected also the Gulf region. There were more important daily necessities to manage than trading luxury items and in the 1932 the price of pearls was devaluated by 50%, compared to their cost in 1928.²³⁵ The arrival of the cultured pearls, the decreasing presences of foreign buyers in the coasts of the sheikhdom and the consequent drop of the natural pearls' value generated another damaging consequence for the people living in the Gulf

²³¹ *Ibidem.*

²³² *Ibidem.*

²³³ R. Carter, *The history and prehistory of pearling in the Persian Gulf*, cit., p. 184

²³⁴ V. Penziner Hightower, *Pearls and the Southern Persian/Arabian Gulf: A Lesson in Sustainability*, cit., p. 53

²³⁵ *Ibidem.*

region: the increase of food prices.²³⁶ The main industry of the sheikdom, the one and only fuel for the economic development of Dubai was crashing. The 1930s was a difficult decade for the future emirate: famine and malnourishment caused the death of many people and the British government could not help the Arab protectorate, since the internal affairs of the homeland were critical too.²³⁷ The famous souks of the Trucial Coast faced bankruptcies and many Indian merchants settled in Dubai decided to repatriate.²³⁸ Nonetheless, it took another twenty years for the pearl industry to vanish completely. Even if the business was not that profitable as it was in the end of the 19th century, a slight recovery was noticed during the 1940s. In 1946, 530 boats were employed in the entire Gulf for the pearl diving.²³⁹ This number is nothing compared to the 3000 vessels used during the industry's peak²⁴⁰, but it represented an effort in order to keep alive the only profitable economic and traditional activity of the region, especially in the southern area. The Trucial Coast was one of the last actors of the Gulf leaving the business: the "oil era" was finally arrived for the Middle East, but in Dubai - and in the neighbouring sheikhdoms - the industry had a slow start. People still travelled by boat from the pearl banks to the port locations that survived the crisis. This practice last since the new natural resource, the so-called "black gold", prevailed over the exhausting and unrewarding diving activity. What was left of the pearl industry was just the purpose of the operation, because modern techniques and technological equipment totally replaced the centuries-old traditional method.

²³⁶ R. Carter, *The history and prehistory of pearling in the Persian Gulf*, cit, p. 184

²³⁷ J. Krane, *City of gold*, cit., p. 28

²³⁸ R. Carter, *The history and prehistory of pearling in the Persian Gulf*, cit, p. 184

²³⁹ *Ibidem*.

²⁴⁰ *Ibidem*.

Merchants: strategic actors supervising the pearling industry

The trading of pearls would not have existed and would not have been that profitable without the ability and the strength of divers, people who risked their lives underwater, holding their breath as long as possible, in order to collect what had become a popular luxury good. However, the collecting of the product was just the first step of a broader economic structure that was based on commerce. The effective actors in the whole process were merchants: in a certain sense, the demand of the product depended on the ability of these figures to sell the goods, but their influence went beyond their trading duties.

Among the members of the cosmopolitan society of Dubai, we could identify two main groups involved in the commercial activities of the sheikhdom: the pure tribal Arabs belonging to the upper-middle class and the *Banians*, who settled in the coast after 1865.²⁴¹ The primary business of the former were fishing and trading, while the latter were Indian British merchants who relocated their activities directly in the Persian Gulf, formally representing the Indian companies of Bombay.²⁴² The importance gained by the *Banians* was due to the fact that they provided the financial capital for the fishing practice, meaning that they acted as proper banking actors. According to the religion law, Muslims could not practice usury, which was why their activities depended strictly on the assets owned by the foreign merchants.²⁴³ Moreover, Indian traders supplied the sheikhdom exchanging pearls with imported primary goods, such as foodstuff and textiles. The *Banians* represented the second biggest economic class in Dubai. Their settlement inside the sheikhdom, besides boosting the economy, changed also the structure of the society: Indian merchants mingled with the local population and often intermarried.²⁴⁴ Their

²⁴¹ F. Al-Sayegh, *Merchants' role in a changing society: the case of Dubai*, cit., p. 88

²⁴² *Ibidem*.

²⁴³ *Ibidem*.

²⁴⁴ *Ibidem*.

presence boosted further after the decline of Bandar Lengeh, one of the most important port on the Iranian coast of the Persian Gulf. Between the 19th and the 20th century, the Persian government launched a heavy taxation on certain products, endangering its own commercial activity.²⁴⁵ Merchants who did not find anymore convenient having business there, decided to move their activities on the other side of the Gulf. In Dubai they found the perfect environment due to the abolition of the five percent customs duty and the brand-new status of free port, declared in 1904 by Sheikh Maktoum.²⁴⁶

Between the ruler and the merchant class developed a particular relationship that affected also the political sphere: since the state treasury was entirely based on taxes and revenues deriving from the pearling and trading activities, the ruler's income was definitively lower than the profits made by the traders. Therefore, the two were bounded by a sort of dependency: often the sheikh had to ask the merchants for financial support, strengthening the position of the merchants.²⁴⁷ They gained the power to give instructions and to control the political situation according to their wishes. The ruler gave them access to the *Majlis*, the sheikh's advisory board, where they became active players in the decision-making process, especially in the matter of the legislative procedure.²⁴⁸ Despite this close financial and political connection with the ruler, the merchants were still subjects: their activities had to go along with the policy of His Highness, otherwise their properties might be confiscated. In this case, many traders decided to work as "native agents" or "native assistants" in collaboration with the British government.²⁴⁹ Their responsibility consisted in providing information to the European officials about the

²⁴⁵ R. Carter, *The history and prehistory of pearling in the Persian Gulf*, cit., p. 179

²⁴⁶ F. Al-Sayegh, *Merchants' role in a changing society: the case of Dubai*, cit., p. 90

²⁴⁷ S. J. Ramos, *Dubai amplified*, cit., p. 59

²⁴⁸ F. Al-Sayegh, *Merchants' role in a changing society: the case of Dubai*, cit., p. 91

²⁴⁹ The term "native" is used here to underline the non-European ethnicity.

trading business and the political affairs of the Gulf region, gaining in exchange protection for their business and families.²⁵⁰

The collapse of the pearling activity at the turn of the 1930s caused the decline of many trading business. Merchants were the main injured party: they faced bankruptcy, meaning that together with money, they lose also prestige and influence among the society.²⁵¹ The balance of power between the central authority, represented by the sheikh and the merchants, who contributed to the economy of Dubai, cracked after years of symbiotic work.

On the other side of the ladder, the ruler was enhancing his economic status. In fact, in the 1930s, Britain was planning to establish in Dubai an air base project that would have generated a flow of revenues directly absorbed by the sheikh.²⁵² Moreover, as soon as oil was discovered in the region, another income was added to the State treasury, thanks to oil royalties.²⁵³ The ruler was finally independent from the financial support provided by the merchants, a totally new situation for the sheikhdom.

The merchants' discontent grew further during the 1930s, reaching its peak in 1938, the year of the Dubai reform movement.²⁵⁴ Traders, who were no more involved in the political development of the region, asked for a reform of the economy. Even if Sheikh Saeed reluctantly reorganized the authentic *Majlis* into a new committee of merchants, the general situation slightly improved.²⁵⁵

The “golden generation” of traders was not shining anymore. Even if the merchant community tried to focus its attention on a diversification process of the economy, its original influence and prestige were lost forever. Fortunately, the sheikhdom of Dubai

²⁵⁰ J. Onley, *Britain's native agents in Arabia and Persia in the Nineteenth century*, cit., p.131

²⁵¹ F. Al-Sayegh, *Merchants' role in a changing society: the case of Dubai*, cit., p. 93

²⁵² C. Davidson, *Dubai: the vulnerability of success*, cit., p. 25

²⁵³ S. J. Ramos, *Dubai amplified*, cit., p. 61

²⁵⁴ F. Al-Sayegh, *Merchants' role in a changing society: the case of Dubai*, cit., p. 95

²⁵⁵ *Ibidem*.

did not end up in the same situation, losing its prominence, but it developed in a completely advanced and profitable environment. Inside the modern landscape of Dubai, traders found again their place in the commercial business, especially from the second half of the 1980s on. As the urban environment of the sheikhdom changed with the passing of time, so did the merchant class. Its political impact was downsized under the supreme power of the sheikh, but its importance was still fundamental for the economy of the “new Dubai”.

GOLD, OIL AND URBAN DEVELOPMENT

In 1939, the retirement of Sheikh Saeed Maktoum and the consequent succession of his son, Prince Rashid, marked a new phase for the sheikhdom of Dubai.²⁵⁶ In the same year, the marriage between Rashid and Sheikha Latifa, daughter of Abu Dhabi’s Ruler from 1912 to 1922, bonded the two families together, strengthening the relationship between the neighbouring sheikhdoms.²⁵⁷

Even though Prince Rashid became the official ruler only in 1958, he took over the government administration of Dubai in the name of his father, but with a completely different approach. Thanks to his ambitions and his ability, he managed to shape his ideas into real projects that changed for good the future emirate. Rashid was a skilled politician, not scared to take the risk of going further his limits, albeit maintaining good terms with everybody.²⁵⁸ The social class who immediately benefitted from this transition of power were merchants: Rashid demonstrated to be more sympathetic and cooperative with them,

²⁵⁶ S. J. Ramos, *Dubai amplified*, cit., p. 63

²⁵⁷ J. Krane, *City of gold*, cit., p. 31

²⁵⁸ Ivi, p. 68

proceeding with the infrastructural reforms asked by the trader class, in order to renovate the economy of the region. On the other hand, the requests concerning a process toward democracy were left unheard, symbolically representing something that would not ever change in the sheikhdom.²⁵⁹

During the 1930s, Britain started its oil-researching project in the Gulf region, officially sealed by a series of exploration concession agreement. The first one was signed with Qatar in 1935 and two years later, the agreement was concluded with the sheikh of Dubai.²⁶⁰ The Petroleum Concessions Ltd. was the brand-new subsidiary company, formed by the London-based Iraq Petroleum Company (IPC), which had the exclusivity on oil exploration inside Dubai borders for the following 25 years.²⁶¹ Signing the concession, the Ruler received 60,000 rupees for the allegiance taken, plus 300,000 rupees as his annual income. In case of oil discovery, the Company would have paid an additional sum of 200,000 rupees and exportations of this resource would have been sold for 3 rupees per barrel.²⁶² Unfortunately, oil explorations were suspended due to the direct involvement of the European power in World War II, but as soon as the conflict was over the project was resumed.²⁶³

The increasing British attention towards the Gulf region was another important factor that altered the situation of the sheikhdom in the first half of the 20th century. This behaviour was justified by several reasons: first of all, India reached independence in July 1947, meaning that Britain position in South Asia was lost forever. Secondly, with the outbreak of the Cold War, the desire of the Soviet Union to expand its influence was perceived by

²⁵⁹ S. J. Ramos, *Dubai amplified*, cit., p. 63

²⁶⁰ F. Heard-Bey, *The Beginning of the post-imperial era for the Trucial States from World War I to the 1960s*, cit., p. 118

²⁶¹ *Ibidem*.

²⁶² S. J. Ramos, *Dubai amplified*, cit., p. 62

²⁶³ F. Heard-Bey, *The Beginning of the post-imperial era for the Trucial States from World War I to the 1960s*, cit., p. 119

the English government as a menace that needed to be controlled and contained, especially since the Middle East acquired a strategic importance due to the presence of the “black gold”, the new engine of the modern diplomacy and economy.²⁶⁴

Because of this new intrusive approach, British institutions established some branches in the sheikhdom and in 1946 the British Imperial Bank of Iran (renamed British Bank of the Middle East – BBME, in 1952) signed an agreement with Prince Rashid, obtaining the banking monopole in Dubai until 1963.²⁶⁵ The role played by the BBME in the 1950s was fundamental for a new practice that for a while replaced the pearling trade. Kuwait was the leading exporter of gold to India, but since the discovery of oil, the country changed its development tactics and its leadership too.²⁶⁶ The new gold market was relocated in Dubai, considering its recent economic expansion and its experience in trading with Bombay. As soon as India declared itself as an independent territory, the Prime Minister Jawaharlal Nehru decided to increase the duties on precious metals, endangering the predominant position of the nation in the gold market.²⁶⁷ From then on all the international gold trade with the South Asian country would take place in Dubai, where the BBME was offering in exchange “free dollars”, establishing in this way a three-actors exchange that involved the bank system, Dubai merchants and Indian traders.²⁶⁸ The flourishing profits that were generated by this new system contributed to expand the economy and the prestige of the sheikhdom, facilitated by a loose regulatory structure of the exchange network.

²⁶⁴ U. Rabi, *Britain's 'special position' in the Gulf*, cit., p. 355

²⁶⁵ S. J. Ramos, *Dubai amplified*, cit., p. 64

²⁶⁶ *Ibidem*.

²⁶⁷ C. Davidson, *Dubai: the vulnerability of success*, cit., p. 70

²⁶⁸ S. J. Ramos, *Dubai amplified*, cit., p. 65

Drilling for oil in the Trucial Coast turned out to be more complicated than in the rest of the Gulf region. Before 1940 Iraq, Iran, Bahrain, Saudi Arabia had already began to export the new precious resource, while in Dubai there was still no trace of it.²⁶⁹ It was at this point that Prince Rashid understood the importance of having more than one development strategy, opting for an economy differentiation. The gold trade business was placed side by side with the necessity of reshaping the urban context of the sheikhdom. One of first operations that Prince Rashid decided to put on practice was the dredging of the creek, in order to improve the structure of the port.²⁷⁰ This project allowed the docking of large cargo vessels, which previously had to stay two miles off shores, due to the shallow tide of the Gulf near the coast. The job was committed to a team of British engineers who estimated that the cost of the infrastructural development would be £388,000, an amount of money that was lent by the Ruler of Kuwait, as regional support for the improvement of the sheikhdom. The renovated Dubai Creek was ultimate in 1959, modernizing and boosting the maritime traffic of merchandise, severely damaged after the collapse of the pearling activity.²⁷¹

Following this wave of infrastructural renovation, in 1960 an urban master plan was commissioned to the British architect John R. Harris, who outlined the principal transportation scheme of Dubai.²⁷² Giving to the creek a predominantly position, due to its economic importance, the layout of the project marked the surrounded areas according to their functions. Therefore, the land was distinguished in industrial, residential and commercial use, other plots were earmarked for public facilities, such as hospitals and

²⁶⁹ D. Heard, *From Pearls to oil*, cit., p. 59

²⁷⁰ J. Krane, *City of gold*, cit., p. 69

²⁷¹ S. J. Ramos, *Dubai amplified*, cit., p. 66

²⁷² Ivi, p. 67

schools, but the last decision was up to the ruler, since he was the one who decided and managed the investments.²⁷³

Become Sheikh by now, in 1960 His Highness Rashid Al Maktoum promulgated a very important law in the field of the city planning: the Land Law. It declared that all those Dubaians who could prove they have lived on their property for a specific an extended period of time, obtained the ownership of that land.²⁷⁴ Considering that before this law, all the plots in Dubai were owned by the Sheikh, this measure was a real change in the administration of the possessions of the sheikhdom. However people that were not born in Dubai, could not own any land, making this decision favourable just for the local citizens. The Land Law was based on the Sudanese Land Law completed in 1956, after the African country declared itself independent. The Sheikh asked the Sudanese government for help, considering its recent experience: this was another example of how the ruler enhanced the structure of his reign using an international network for consulting, taking advantage of the British connections (in fact Sudan had been under an Egyptian-British administration before its independence).²⁷⁵ The Land Law was the starting point of a wider and revolutionary plan for the city of Dubai. After this announcement and according to the future development of the urban landscape, the value of the land increased considerably, capitalized by the accumulation of wealth; furthermore, it was also a way in order to guarantee the loans needed to build the “new Dubai”.²⁷⁶

As the city was taking shape following new projects and investments, the perspectives of business inside the sheikhdom were increasing as well and new companies found their place and their role in Dubai, especially in the financial sector. In 1962, the ruler’s representatives went to Kuwait in order to study the model of the National Bank of

²⁷³ *Ibidem.*

²⁷⁴ *Ibidem.*

²⁷⁵ *Ivi*, p. 68

²⁷⁶ *Ibidem.*

Kuwait. During the visit, the Dubaian delegates offered a 30% share in return for helping with the launch of a similar project in the sheikhdom. The National Bank of Dubai opened one year later, taking the banking monopoly away from the BBME.²⁷⁷ Not only local enterprises arose in Dubai in these years, but also foreign ones. Between 1964 and 1968, other seven banks placed their business inside the sheikhdom: their headquarters were located in the neighbouring region of the Gulf, in the United Kingdom and in the United States. One of these was the famous First National City Bank of New York (Citybank), which was connected to a wider project concerning the oil concession agreement of 1963 signed with the US Continental Oil Company.²⁷⁸

The entrepreneurial spirit of Sheikh Rashid made possible the realization of several projects in the same lapse of time, all aiming at the development and modernisation of the sheikhdom. By the second half of the 20th century, two main sectors were implemented: the infrastructural city plan of Dubai and oil concessions and production.

The first bricks of the modern Dubai

One of the major problems in the Gulf region was soft water availability, especially with the continuous growth of the population, due to the recent expansion of the urban landscape. Therefore, a project for water research was launched in the 1960s, financed by the royal Qatari family: several areas were drilled and the site of Al-Awir, a southern area of Dubai, became the most important water resource of the territory.²⁷⁹

Communications were another important issue in an interconnected world, as well as a series of new electrical appliances that were improving life conditions (refrigerators, telephones, air conditioning, etc.). Their diffusion and use increased with the foundation

²⁷⁷ C. Davidson, *Dubai: the vulnerability of success*, cit., p. 97

²⁷⁸ Ivi, p. 98

²⁷⁹ Ivi, p. 92

of the Dubai State Telephone Co. and the Dubai Electric Company, two firms created thank to the loan offered by the BBME.²⁸⁰

In 1963, Sheikh Rashid, inaugurated the Al-Makroum Bridge: the first bridge across the creek, connecting the area of Deira with Bur Dubai. The project was commissioned to the Halcrow firm, a British company chosen by the ruler himself as the leading engineering group that had to follow every other infrastructural plans approved by His Highness.²⁸¹

In order to finance the construction of the bridge, a toll was imposed for vehicles that had to cross the bridge until 1973, when the total cost of the structure was finally covered.²⁸²

By the half of the decade, Halcrow Company developed a brand-new project intended to enhance the maritime facilities and therefore the commercial activity of the sheikhdom.

In 1965 works began for the construction of a deep water ports in Shindagah, which would receive the name of Port Rashid.²⁸³ It was initially provided with four berths, according to the original plan, but the Ruler asked for an implementation of eight more berths, in order to allocate more space for the naval activity.²⁸⁴

For what concern aviation, Dubai was still without any airport. The only air concession that it had only applied to water planes landing on the creek. The main airport of the lower Gulf was located in Sharjah and it had been established since 1939. The majority of cargo and passengers flights arrived there; then goods and people had to reach Dubai or other neighbouring locations with alternative means of transports.²⁸⁵ Moreover, all the incoming merchandise was duty charged by the Sharjah government.²⁸⁶ The Ruler of Dubai decided to end this unfavourable situation, not mentioning that the flights were far

²⁸⁰ S. J. Ramos, *Dubai amplified*, cit., p. 69

²⁸¹ C. Davidson, *Dubai: the vulnerability of success*, cit., p. 92

²⁸² *Ibidem*.

²⁸³ *Ibidem*.

²⁸⁴ *Ivi*, p. 93

²⁸⁵ S. J. Ramos, *Dubai amplified*, cit., p. 71

²⁸⁶ *Ibidem*.

from being frequent. Of course, the next-door ruler, who gained also the support of the British government, immediately opposed the intention of Sheikh Rashid. The latter, however, managed to convince the European delegates, ensuring them that Dubai could afford the full cost of this project.²⁸⁷ Rashid obtained also the direct involvement of the British aviation as a consult committee. In 1960, Dubai International Airport (DXB) was finally open and its one-sized terminal was the first one in the whole Gulf region provided with a duty shop.²⁸⁸

With the creation of a profitable transportation system, along with the projects of urban requalification and the launch of a banking sector settled inside the sheikhdom, Dubai was attracting always more capitals, goods and people. It was emerging the necessity of accommodate all these visitors coming in the region, especially the foreign merchants and investors interested in the business of the future emirate. The beginning of the modern hotel sector happened during the 1960s, when the first tourist facilities were built.²⁸⁹ They were settled in the strategic locations: near the creek, next to the airport or in the busiest areas of the sheikhdom. Here, first-class hotels such as the Carlton, the Airline hotel, the Ambassador and the Oasis held no more than 100 people each, nothing compared to the luxurious and massive structures of present days.²⁹⁰

Drilling for “black gold”

As already said, by the beginning of the 20th century, the “black gold” fever was spreading all over the Gulf region, animating the international interests towards the Middle East. The first fully productive territories were Persia and Iraq, followed by

²⁸⁷ C. Davidson, *Dubai: the vulnerability of success*, cit., p. 94

²⁸⁸ *Ivi*, p. 95

²⁸⁹ S. J. Ramos, *Dubai amplified*, cit., p. 71

²⁹⁰ *Ibidem*.

Bahrain, Saudi Arabia and the neighbouring Kuwait.²⁹¹ These premises were encouraging, especially for the British government, who had ensured itself a prominent position inside the area, competing with the increasing interest demonstrated by the United States. In order to scoop the competition, the multinational consortium Iraq Petroleum Company (IPC), headquartered in London, after having signed for oil concession in Qatar (1935), created a subsidiary firm called Petroleum Concessions Ltd. (PCL) with the purpose of driving new profitable bargains with the rulers of the Trucial Coast. The agreement between the PCL and the Sheikh of Dubai was officially signed in 1937: a 25-year oil concession that reserved the right of oil exploration only to British personnel.²⁹² The European government was very satisfied with this negotiation, since it obtained a strategic geographical position: the Trucial Coast was a perfect staging post considering its proximity to India, another colony of the British Empire. Both for military and economic reasons, the sheikhdoms were essentials as aviation and naval outposts, especially if they could operate as refuelling bases.²⁹³

However, the first years of exploration in the Trucial territories were a lot disappointing and frustrating: while in the surrounding countries oil was profusely pouring out, the drilling operations in the sheikhdom of Dubai and Abu Dhabi did not end well. With the outbreak of the Second World War, Britain called back its men working on the oil concessions and the international attention shifted to the tragic situation that was mainly affecting the old continent.²⁹⁴ Oil research remained dormant for a while, due to the lack of personnel and money: Dubai was hit also by the decline of its pearling activity and the population was left without business, food supplies and future perspectives. A grudge

²⁹¹ D. Heard, *From Pearls to oil*, cit., p. 59

²⁹² S. J. Ramos, *Dubai amplified*, cit., p. 73

²⁹³ F. Heard-Bey, *The Beginning of the post-imperial era for the Trucial States from World War I to the 1960s*, cit., p. 118

²⁹⁴ *Ivi*, p. 119

arose among people towards the sheikh, who signed the concessions with the British government, pocketing all the money and leaving his subjects alone in the hardships.²⁹⁵

It was at this point that a nationalist and anti-regime sentiment stirred the population of the Gulf supported also by similar movements in other Middle Eastern countries, especially Egypt, with the influence of Jamal Nasser and Iran, leaded by Mohammad Mossadeq.²⁹⁶ In order to prevent possible revolutions and to guarantee the safety of the British agents in the whole Trucial Coasts, a special paramilitary force was established in 1951, the Trucial Oman Levies.²⁹⁷

The situation drastically changed when search for oil restarted few years after the end of the World War II and this time it proved to be lucrative. We have to wait until the end of the decade for the discovery of commercial quantities of oil few miles away from the coast of Abu Dhabi and in 1960 it was also found inland. Oil exports begin immediately two years later.²⁹⁸

The circumstances were slightly different in Dubai: since the drillings proved to be unsuccessful and the 25-years concession with Britain was ending, the European government was not so inclined to renovate the agreement. New actors came up. In 1963 a brand-new oil exploration contract was signed with the US Continental Oil Company, while Sheikh Rashid decided to create the Dubai Petroleum Company (DPC) in order to cover the offshore area of the territory.²⁹⁹ Moreover, a joint venture between the British Petroleum and the Compagnie Française de Petroles, called Dubai Marine Areas Limited, was established for offshore research too, bringing back the British government to local

²⁹⁵ *Ibidem.*

²⁹⁶ S. J. Ramos, *Dubai amplified*, cit., p. 65

²⁹⁷ *Ibidem.*

²⁹⁸ F. Heard-Bey, *The Beginning of the post-imperial era for the Trucial States from World War I to the 1960s*, cit., p. 119

²⁹⁹ S. J. Ramos, *Dubai amplified*, cit., p. 74

business.³⁰⁰ During the following years these agreements changed several times due to the number of stakeholders involved in the operations.

In 1966, crude oil was finally found by the DPC in an offshore field 7,600 feet deep. The area was called *Fateh* by the sheikh himself, which means “good fortune” in Arabic.³⁰¹

Four years later other fields were discovered in the creek and they took the names of *South Fateh*, considering to its position compared to the first oilfield, *Falah* that stands for “success” in the national language and *Rashid*, as a tribute to His Highness Himself.³⁰²

Oil production and exports began three years later, but a problem occurred in the storing system because of the shallow waters offshore from Dubai. The DPC found an innovative solution using large floating cisterns, in which oil was poured and then transported.³⁰³

The first shipment of oil happened on September 22 1969, when 180,000 barrels were extracted from the field of *Fateh*.³⁰⁴ The total amount of crude oil produced by the end of the first year was 3,561,094 barrels, generating an amount of revenues of \$376,114.³⁰⁵ By the end of the 1970, oil revenues boosted to \$11,556,000 and five years later they jumped to \$600,000,000.³⁰⁶ In order to understand this shocking growth of oil profits, we need to analyse the international dynamics that occurred starting from the 1960s.

In 1960, at a Baghdad Conference, 13 oil-producing countries reunited together under the Organization of Petroleum Exporting Countries (OPEC). This oil cartel was aiming at consolidating, coordinating and defending the interests of oil companies, especially against the pressures made by the US, Britain and Holland in order to turn oil

³⁰⁰ *Ibidem*.

³⁰¹ Dubai Petroleum Company, About us: our history, <http://www.dubaipetroleum.ae/about.php> retrieved 26.12.2013

³⁰² *Ibidem*.

³⁰³ *Ibidem*.

³⁰⁴ S. J. Ramos, *Dubai amplified*, cit., p. 74

³⁰⁵ *Ibidem*.

³⁰⁶ *Ibidem*.

prices down.³⁰⁷ Abu Dhabi was the first sheikhdom entering the OPEC in 1967, entailing the membership of the other members of the Trucial States once they became a federation, in December 1971, under the name of United Arab Emirates. Meanwhile, in 1968 another organisation was specifically created for the oil-producing Arab countries, the Organisation of Arab Petroleum Countries (OAPEC). It involved 12 Arab nations, which gathered together in order to coordinated energy policies for regional development.³⁰⁸

Given this background of alliances, we have to focus on the historical setting during the 1970s. At the beginning of the decade, three main events had consequences at international level:

- in 1970, western export prices increased due to high inflation, which was affecting the US and then the rest of the world
- in October 1973, Egypt, Syria and Israel were involved in the Yom Kippur War
- between the members of OPEC and oil-import companies there were disagreement about oil pricing.³⁰⁹

The mixture of these episodes brought the price of oil from \$3 per barrel to \$5,12 per barrel in 1973. By the end of the year the price jumped to \$11,65 per barrel and this trend went on for the rest of the decade.³¹⁰ The 1979 was known as the year of the Iranian revolution, but also as the year of the second price shock: oil reached \$20 per barrel in the non-Arab oil-exporting states and \$18 per barrel among the Gulf countries, generating an abundance of profit liquidity in the Middle Eastern region.³¹¹

³⁰⁷ *Ivi*, p. 89

³⁰⁸ *Ibidem*.

³⁰⁹ *Ivi*, p. 90

³¹⁰ *Ibidem*.

³¹¹ *Ibidem*.

For what concerns the sheikhdom of Dubai, in 1975 oil revenues doubled compared to the influx of money recorded at the beginning of the decade, reaching \$600,000,000.³¹² This extraordinary flow of capitals was unusual and complicate to handle for both Dubai and Abu Dhabi, which also decided to adopt a brand-new national currency, the UAE *dirham* (AED).³¹³ The main challenge was maintaining monetary stability, so it was important to preserve the UAE currency against a strong inflation and therefore against the lowering in purchasing power.³¹⁴ The concern was mainly referred to the local economy, which should have been developed enough in order to absorb a high quantity of money in a short period of time.³¹⁵ Moreover, the sheikhdom and all the other oil-exporting countries had to handle properly all the logistic aspect of oil production. Responding to the trade capacity meant that the countries involved had to possess the right and efficient amount of transportation infrastructures.

Oil discovery changed the scenario of the Middle East, but also the international interest towards this region. The high amount of money due to oil revenues entailed a process of industrialization and development among the Gulf countries, which strove to meet the big import demand. According to these perspectives, during the second half of the 1970s, strategic investments were made for the construction and the enhancement of commercial facilities, mainly seaports. The Sheikh of Dubai Himself gave instruction to upgrade Port Rashid, which few years later was supplemented by Jebel Ali Port, the biggest man-made harbour in the world.³¹⁶ It was precisely in these years that the Emirate of Dubai began its race towards modernity and innovation. Everything started with the risky temperament of Sheikh Rashid and then Dubai landscape radically changed with the plenty of wealth

³¹² *Ibidem*.

³¹³ C. Davidson, *Dubai: the vulnerability of success*, cit., p. 65

³¹⁴ S. J. Ramos, *Dubai amplified*, cit., p. 74

³¹⁵ *Ibidem*.

³¹⁶ *Ivi*, p. 75

brought by the oil sector. However, besides the initial excitement, the Emirate had to follow a different path for modernization, something that was more suitable to its characteristics than the original project of oil exploitation. Dubai's reserves were not enough to self-sustain the economy of the sheikhdom, especially if compared to the massive resources of the neighbouring Abu Dhabi.³¹⁷ The Sheikh understood the importance of a diversified economy: infrastructure and trade were two sectors that were already familiar for Dubai. Therefore, more than building something out of nothing, it was a matter of amplifying the existing facilities, adapting and improving the old ones to the new requirements.³¹⁸

URBAN INFRASTRUCTURE, INDUSTRIES AND SERVICES: RISING UP THE MAJESTIC CITY

With the new agreement secured by the sheikhs of the Trucial States, a new political federation was created in December 1971 under the name of United Arab Emirates (UAE). It gathered together six sheikhdoms – Abu Dhabi, Dubai, Ajman, Fujairah, Sharjah, Umm al-Quwain – and another one, Ras al-Khaimahj, joined one year later. In the meantime, other two members of the former Trucial States, Oman, Bahrain and Qatar became independent states.³¹⁹ These revolutionary decisions meant also that the 150 years of British control were finally over. However, this situation did not come out from nothing: in the late 1960s, the English Prime Minister announced the decision of withdrawal from the Middle Eastern region, due to the deterioration of British economy

³¹⁷ C. Davidson, *Dubai: the vulnerability of success*, cit., p. 103

³¹⁸ S. J. Ramos, *Dubai amplified*, cit., p. 91

³¹⁹ U. Rabi, *Britain's 'special position' in the Gulf*, cit., p. 361

(military expenses in the territory amounted to £300 million per year) and to the uncertain and unstable atmosphere in the Gulf.³²⁰ Dissolving the British administration could lead to unpleasant consequences: the relationships among the rulers was characterizes by a high level of competitiveness, endangering the cohesion and the coordination between each sheikhdom. That is the reason why, before leaving, the English forces tried to smooth the way towards unity, establishing a common ground for the future development of the territories into a federation. The task was accomplished and confirmed with the formal recognition of the UAE by the United Nations, the Arab League, France, Germany and even the sceptical Soviet Union.³²¹ Abu Dhabi's ruler, Sheikh Zayed bin Sultan Al-Nahyan was declared president of the federation, while His Highness Rashid Al-Maktoum, sheikh of Dubai, received the title of prime minister.³²² Furthermore, as mentioned before, in 1973 it was established the UAE Monetary Agency and a new national currency, the *dirham* was officially introduced in the economy of the federation, pegged to the US dollar.³²³ Despite the fact that the British protectorate formally ceased to exist, British continued to play an important role in the society of the UAE, mainly in the business sector, taking advantage of the contacts established during the protectorate period.

Sheikh Rashid was not that eager about the prospects of a formal alliance between all the sheikhdoms: it could compromise Dubai's position, which would be eclipsed by prominence of Abu Dhabi, given its larger size, its bigger population and its flourishing oil reserves.³²⁴ Despite the recent hydrocarbon discoveries in the territory, Dubai could not lose the vital commercial relationships nurtured with its trading partners, in particular

³²⁰ C. Davidson, *Dubai: the vulnerability of success*, cit., p. 58

³²¹ *Ivi*, p. 64

³²² U. Rabi, *Britain's 'special position' in the Gulf*, cit., p. 361

³²³ C. Davidson, *Dubai: the vulnerability of success*, cit., p. 65

³²⁴ S. J. Ramos, *Dubai amplified*, cit., p. 81

with India, Iran and Pakistan. The ruler understood that he had to act wisely, trying to earn something from this alliance and not playing the part of the loser. The first move was resolving the territorial conflicts with the neighbouring Abu Dhabi: an in-between strip of land, together with an oil-rich offshore area were ceded to Sheikh Rashid.³²⁵ Moreover, the UAE Central Bank (created in 1973) agreed on funding many of the infrastructural projects that the Emirate of Dubai planned to realize.³²⁶

The first bricks of the renovated urban configuration of Dubai had already been placed during the 1960s. After the independence, the Sheikh had to handle the flourishing flows of oil revenues to avoid inflationary pressures, while boosting the trading capacity, with particular attention towards the export sector. These were both the causes and the resources that permitted the launch of a large-scale engineering project that would characterized the following decades. In 1971, J. R. Harris submitted his second master plan in which he outlined Dubai's urban main features: its infrastructures, facilities and services. His project was based on a city with a ring-radial shape, similar to the contour of the creek, in order to emphasize the symbolic importance of this natural site.³²⁷ The land was supposed to be divided in single geometric units, forming a symmetrical replicated pattern.³²⁸ Another concern by the architect was the implementation of the connections between the different areas of Dubai through bridges, tunnels and paved roads. The construction of Garhound Bridge, Deira-Al Shindidah Tunnel and Sheikh Zayed Road was launched right after the publication of the plan.³²⁹ Harris thought also that the creek had to undergo further improvements of widening and dredging, increasing its capacity.³³⁰ The residential districts were planned according to a social division of the

³²⁵ *Ivi*, p. 82

³²⁶ *Ivi*, p. 83

³²⁷ *Ivi*, p. 86

³²⁸ *Ivi*, p. 115

³²⁹ *Ivi*, p. 87

³³⁰ Y. Elsheshtawy, *Dubai: behind an urban spectacle*, cit., p. 109

population: it was provided a neighbourhood for each group, separating locals Dubaians to the international expatriate community and the immigrant low-wage workers. The master plan emphasized also the attention towards a welfare system, providing hospitals, schools and other social facilities.³³¹

The first major projects

The first important infrastructural renovation concerned the expansion of Port Rashid: its sixteen berths were not enough according to the Sheikh. In 1976, he commissioned the construction of twenty other berths, for a total number of thirty-six cargo berths.³³² Furthermore, the harbour was equipped with new trade technology, such as container cranes, roll-on-roll-off discharge facilities and lighter aboard ship systems. In a decade, Port Rashid became one of the most advanced and the largest port of the region, while Dubai regained its trade competitiveness once again.³³³

By the second half of the decade, other two marine projects were in progress: Dubai Dry Dock and Ship Repair Facility and Jebel Ali Port. The first one was planned as a supplementary activity, located south of Port Rashid, in Al-Shindigah. It opened in 1979 and it had three repair berths. One of them was the largest berth in the world, since it had the projected capacity to repair 1,000,000 deadweight tons tankers and it was 525 meters long by 100 meters wide.³³⁴ Dubai Dry Dock and Ship Repair Facility was a clear example of the challenge that Dubai was taking, giving the fact that a similar structure was hosted in Bahrain. The difference between the two was that the facility in Dubai, due to its unique capacity, achieved a record, outshining the competitor.³³⁵ This kind of

³³¹ S. J. Ramos, *Dubai amplified*, cit., p. 88

³³² C. Davidson, *Dubai: the vulnerability of success*, cit., p. 93

³³³ S. J. Ramos, *Dubai amplified*, cit., p. 97

³³⁴ *Ivi*, cit., p. 99

³³⁵ *Ibidem*.

attitude was one of the key concept throughout all the process towards the development of the city. Moreover, as soon as the dry dock was inaugurated, an increasing number of tankers had to be repaired due to the conflict that broke out between Iraq and Iran. Despite the terrible situation in the Gulf region, this event represent a real business for Dubai.³³⁶ The second project, the Jebel Ali Port took form in a piece of land that had been contended between Abu Dhabi and Dubai for years. Jebel Ali is an area of Dubai located 35 km southwest from the creek. Here, in 1976 the operation for the construction of what is currently known as the largest man-made port in the world began.³³⁷ The company charged with the realization of this massive plan was a bran-new joint venture, called Mina Jebel Ali Construction. Their task was building a structure provided with 15 km of waterfront and a total number of 67 berths. The first five berths were already operative in 1983.³³⁸ The port was also equipped with the latest technological instrumentation and logistic structures. A foreign company, the US Sea-Land signed with the sheikh for the management of the entire harbour at the end of the 1970s.³³⁹ As soon as the main structure of the Jebel Ali Port was finished, it was inaugurated with a sumptuous ceremony. The guest of honour was Queen Elisabeth II, a presence that underlined the relationship that was still bounding Britain and the sheikh together.³⁴⁰

On the western side of Dubai, another project was commissioned in the same period: Dubai World Trade Centre. It was imagined as a location for hosting future trade events and festivals, following the magnificent concept of the Sheikh. As the name suggested, the architecture of the skyscrapers that were under construction in New York City inspired the Arab project.³⁴¹ The tower, with its 39 storeys, was the highest building of the Middle

³³⁶ J. Krane, *City of gold*, cit., p. 92

³³⁷ S. J. Ramos, *Dubai amplified*, cit., p. 109

³³⁸ *Ivi*, p. 109

³³⁹ *Ivi*, p. 111

³⁴⁰ S. J. Ramos, *Dubai amplified*, cit., p. 103

³⁴¹ *Ivi*, p. 99

East and the first structure in Dubai equipped with an elevator.³⁴² Despite the initial difficulties in finding tenants, the tallest building of the city was the first facility planned for hosting business companies.³⁴³ With this investment, the sheikh started a wider project of economy diversification in order to guarantee a profitable future for Dubai, according to its possibilities.

The industrial sector

Considering the ongoing construction business that was taking place since the mid-1970s, a large portion of money had to be used for the imports of building material. Large quantity of cement was imported from Germany, Japan and Kenya to all the Middle Eastern countries, which were undergoing the process of infrastructural development to keep up with oil exportations.³⁴⁴ Therefore, this supply-chain was soon affected by the rising demand of material, slowing the deliveries and so the construction industry. Sheikh Rashid, one again, decided to use the natural resources of the sheikhdom (sand, fuel and minerals) in order to be more self-sufficient as possible. Dubai National Cement Company was created as an industrial development and as a local alternative to imports.³⁴⁵ Following the same purpose, other similar facilities rose in Dubai by the beginning of the 1980s, as a part of Dubai's industrialisation programme. These firms produced metals, plastics, gases and other goods exploiting the hydrocarbon reserves of the country. Then, this material was partially used for the domestic demand, while the rest was exported to foreign customers.

³⁴² S. J. Ramos, *Dubai amplified*, cit., p. 100

³⁴³ J. Krane, *City of gold*, p. 78

³⁴⁴ S. J. Ramos, *Dubai amplified*, cit., p. 102

³⁴⁵ *Ibidem*.

In the area of Jebel Ali, which became the industrial pole of the emirate, it was built an aluminium smelter complex, managed by the Dubai Aluminium Company (DUBAL).³⁴⁶ During the years, due to the rising demand, mainly coming from the North America, Asia and the MENA region, the structure was further expanded. In a short time, the DUBAL became an industrial flagship of the whole federation, accounting for 60% of Dubai's non-oil exports.³⁴⁷ In 2008, it was ranked as one of the seventh-largest producers of aluminium in the world.³⁴⁸ The Dubai Gas Company (DUGAS) was a plant for capturing natural gas and liquefied petroleum from the onshore and offshore oil drills.³⁴⁹ The industry managed the planning and the construction of extrusion complexes, such as platforms, pipelines, plants and terminals. In this case too, the energy produced supplied the local demand (it was also used for running the DUBAL complex) and it was shipped worldwide as well.³⁵⁰ Other heavy industries completed the programme: the Dubai Cable Company (DUCAB), the leading structure for cable production and a desalinisation and steam power station.³⁵¹ In the following years, several energy-reliant companies decided to establish their industrial complexes in the emirate. Since Jebel Ali could not contain all the new firms, other areas were created for the allocation of these industries: Umm Ramool, Al Quoz and Al Qusais.³⁵²

Communities of foreigners

Harris master plan took also the social aspect of the brand-new Dubai in consideration. The sheikhdom was already a famous cosmopolitan environment, since the

³⁴⁶ C. Davidson, *Dubai: the vulnerability of success*, cit., p. 101

³⁴⁷ *Ivi*, p. 102

³⁴⁸ DUBAL, Our history, <http://www.dubal.ae/who-we-are/our-history/a-30-year-heritage.aspx>, retrieved 20.01.2014

³⁴⁹ S. J. Ramos, *Dubai amplified*, cit., p. 114

³⁵⁰ DUGAS, Overview, <http://dugas.ae/dugas/Company/Overview.html>, retrieved 20.01.2014

³⁵¹ S. J. Ramos, *Dubai amplified*, cit., p. 114

³⁵² C. Davidson, *Dubai: the vulnerability of success*, cit., p. 102

immigration flows that took place over the years, due to the trading activity. A large part of the population settled in Dubai was originally from Persia and India. With the construction and the industrialization boom, new flows of immigrants affected the emirate, involving new actors. This time they were not rich merchants coming in the region for business, but low-wage workers mainly from South Asian countries, such as Pakistan, India, Nepal, Bangladesh, China, Sri Lanka, etc.³⁵³ They were under-skilled men, who left their families in their native lands, desperately seeking a job. The worker community settled in specific districts of the sheikhdom, usually located in the outskirts. Here they lived in basic apartment complexes called labour camps, which are often overcrowded. As the city was gaining its shape, new contracts were drawn up with foreign industries and companies: this entailed other incoming flows of people from West Europe and North America.³⁵⁴ These emigrants tended not to mix with the local population, forming an expatriate community, which settled in dedicated areas of Dubai. Their neighbourhoods were built according to a western-style taste, resembling the housing buildings of California (e.g. Palm Jumeirah, The Greens, The Springs, The Lakes, etc.). Even if Dubai was a Muslim country, the expat population was allowed to keep its lifestyle habits, such as drinking alcohol, thanks to the open policy granted by the sheikh.³⁵⁵

The great success of Dubai increased its fame worldwide as a promising place rich of perspectives, attracting always more people from abroad. Soon the majority of the population was represented by non-nationals. In 1975, over a total population of 183.187, 132.371 people were foreigners. The discrepancy sharpened in the following decade: in

³⁵³ J. Krane, *City of gold*, cit., p. 200

³⁵⁴ A. Syed, *Dubai gilded cage*, cit., p. 26

³⁵⁵ *Ibidem*.

1980 there were 62.516 locals compared to 213.785 non-nationals; an amount that grew further five years later, reaching quota 370.788 people, as reported in the table below.³⁵⁶

FIGURE 7: DUBAI POPULATION RATES 1975-1995

Year	TOTAL	NON NATIONAL	NATIONAL
1975	183.187	132.371	50.816
1980	276.301	213.785	62.516
1985	370.788	294.096	76.692
1995	689.420	581.679	107.741

In order to keep the non-national community and its business under control, in 1984 it was emanated a federal directive called “Commercial Companies Law”. Each emirate had to adhere to the *kafala* (sponsorship) system, according to which every registered company had to be at least 51% owned by a UAE national (outside the free zones).³⁵⁷ Therefore, expatriates and workers had to be sponsored by their employers if they wanted to get a job. This directive had several effects: as business partners, local people found a way to get more incomes and deals, especially considering that any national could sponsor someone, even for housekeeping. Moreover, the *kafala* system compelled the contractor to his employer, until the latter would revoke the deal or until the agreement would expire.³⁵⁸ This legislation however did not stem the problem of illegal immigration, very common among the low-wage workers. With its extemporary growth, Dubai needed a large amount of work force that could be easily acquired through an illicit traffic of people.³⁵⁹

³⁵⁶ United Arab Emirates National Bureau Of Statistics, *Population by Emirates 1975-2005*, Abu Dhabi, United Arab Emirates National Bureau Of Statistics, 2012, p. 7

³⁵⁷ C. Davidson, *Dubai: the vulnerability of success*, cit., p. 114

³⁵⁸ A. Syed, *Dubai gilded cage*, cit., p. 27

³⁵⁹ Ivi, p. 28

Besides working purposes, between the 1980s and the 1990s, Dubai hosted also Lebanese and Kuwaiti refugees, who were escaping from the harshness of the Lebanese civil war and the Iraqi invasion of Kuwait.³⁶⁰

The rapid large-scale expansion of the population was a phenomenon that was destined to affect Dubai even more in the next decades. From a total population of 183.187 people in 1975 the emirate reached 689.420 people in 1995 and it was just the beginning of the extreme economic development of Dubai.³⁶¹

Oil scarcity and the cluster strategy

Sheikh Rashid’s infrastructural and industrial plans were proven to be particularly right, given the unpleasant perspectives on the future of Dubai’s oil industry. Despite the initial optimistic hopes, it became obvious that Dubai could not compete with the massive hydrocarbon reserves of the neighbouring Abu Dhabi.

FIGURE 8: ABU DHABI-DUBAI OIL EXPORTS (1972-1992)³⁶²
[Million of barrels]

Year	ABU DHABI	DUBAI
1972	384.2	55.6
1980	489.6	127.7
1988	474.8	146.1
1992	694.0	146.1

If during the 1970s oil earning represented the main income of Dubai’s economy, by 1985 they covered just the 50% of the total GDP. The forecasts for the next decade

³⁶⁰ C. Davidson, *Dubai: the vulnerability of success*, cit., p. 188

³⁶¹ United Arab Emirates National Bureau Of Statistics, *Population by Emirates 1975-2005*, cit., p.8

³⁶² Kazim A., *The United Arab Emirates: A.D. 600 to the present*, Dubai, Gulf Book Centre, 1999, p. 336

were even worse and oil revenues reached 18% of GDP in 1995.³⁶³ Oil would never provide self-sustainability for the survival and the development of the emirate simply because there were not enough of it.³⁶⁴ As we will see in the next chapter, in about fifteen years, this problem would become an essential challenge for all the Gulf countries: oil reserves are finite and alternative strategies should be considered in order to pursue a more sustainable and reliable advancement path.

The choice to follow a diversification process for the economy of Dubai began before the oil price slumps of the 1980s. Taking advantage of Dubai trading history, Sheikh Rashid invested strategically on a regional infrastructure aimed to create an industrial pole and a service industry, which in turn would developed other sectors, such as tourism. This concept is represented by the theory of clusters: the concentration of many interconnected companies entails a process of business competition that brought to a mutual enhancement.³⁶⁵ According to this strategy, we could see the Dubai's process towards development as a "chain" of investments, in which one triggered another. Everything started with Harry's master plans, followed by their application through the creation and the improvement of urban infrastructures, including municipal services (water, roads, electricity, etc.). These first steps combined brought the construction of ports, airports, the allocation of industrial companies, financial and service business, residential districts with amenities for the local and the expatriate community. Of course, none of this could have been so much profitable and successful without oil revenues nourishing the investments. The whole process of infrastructural advancement could be divided in two phases. In a first stage, oil profits played an important role in the funding system of the country: capital-intensive projects were launched for avoiding the menace of inflation and

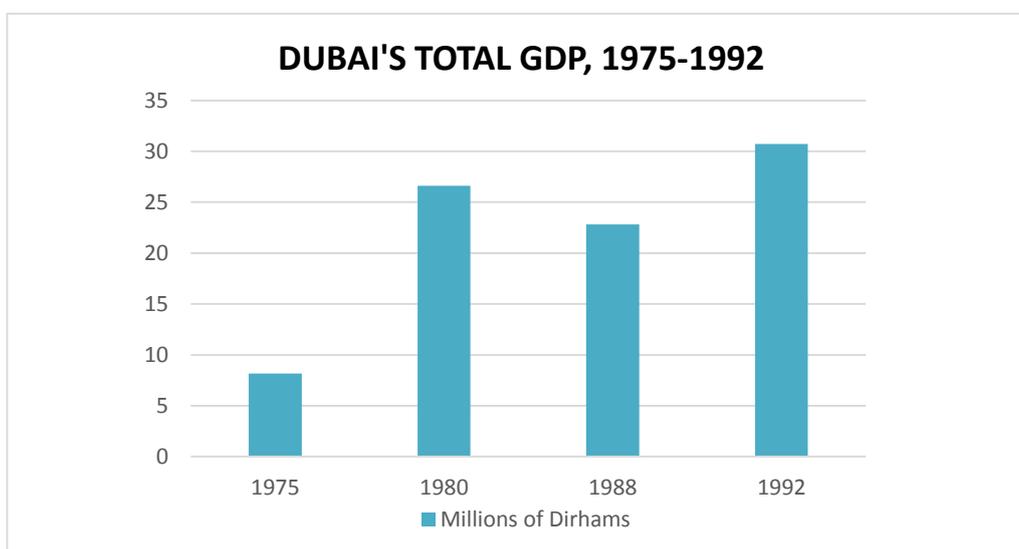
³⁶³ Oxford Business Group, "Emerging Dubai 2007": http://www.oxfordbusinessgroup.com/economic_updates/UAE%3A%20Dubai retrieved 21.01.2014

³⁶⁴ C. Davidson, *Dubai: the vulnerability of success*, cit., p. 103

³⁶⁵ S.J. Ramos, *Dubai amplified*, cit., p. 92

keeping up with the demand supply. In a second one, instead, investments were mainly coming from abroad thanks to the free trade policy applied by the sheikh, as we will see further on. Moreover, much of the wealth generated by the oil revenues and the energy-dependent industry was placed overseas. The sheikh choose to use his money for purchasing properties and stocks in North America and Europe, where the markets seemed to have reached more stability than in the Gulf region.³⁶⁶ This was a sort of backup plan that would have been useful in case of a sudden economic collapse.

FIGURE 9: ³⁶⁷



Profits from warfare

If the 1970s was a wealthy decade, characterized by expansion, optimism and new perspectives, the following years were completely different for all the countries of the Persian Gulf. In 1980 the outbreak of the war between Iraq and Iran interrupted the atmosphere of relatively peace in the region. The conflict started in September with the Iraqi invasion of Khuzestan, the richest oil-producing province of Iran.³⁶⁸ The full-scale

³⁶⁶ C. Davidson, *Dubai: the vulnerability of success*, cit., p. 102

³⁶⁷ Kazim A., *The United Arab Emirates*, cit., p. 347

³⁶⁸ H. C. Metz, *Persian Gulf States: a country study*, cit., p. 107

warfare caused the destruction of several oil facilities, with a relative sharp decline in revenues. In order to take the situation under control, in May 1981 the Cooperation Council for the Arab States of the Gulf (GCC) was created in Abu Dhabi, gathering Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates together. This entity had the purpose to protect and, if necessary, to defend the interests of its members, regulating also the economic relations and the social development among them.³⁶⁹

The UAE tried to preserve a neutral attitude towards the belligerents, but it was not that easy. Since its long history of trade with Iran, Dubai hosted a great number of native-Iranians who inevitably leaned towards Iran, even if the emirate of Abu Dhabi demonstrated to be more pro-Iraq.³⁷⁰ As previously mentioned, the conflict turned into a “tanker war” and several vessels were taken into Dubai Dry Dock facilities to be repaired, contributing to foster the economy of the sheikhdom. Moreover, in 1987 the United States established a trade embargo with Iran. In this occasion, the merchant community of Dubai revived its role as fundamental suppliers of services. In fact, wide flows of US-based companies’ products, such as consumer goods, foodstuffs and equipment, arrived in Iran through the triangulation of Dubaian traders. Of course, the goods were often repackaged in order to avoid US scrutiny, reaching destination undetected.³⁷¹ This kind of opaque business started with gold smuggling, but continued to be a practice that still characterizes Dubai’s economy nowadays. As we will see in the next chapter, the free-trade zone policy offered advantageous business conditions in Dubai, but at the same time, it concealed elusive means for trading.

³⁶⁹ *Ibidem*.

³⁷⁰ A. Syed, *Dubai: gilded cage*, cit., p. 16

³⁷¹ F. Al-Sayegh, *Merchants’ role in a changing society: the case of Dubai*, cit., p. 88

CHAPTER III

Non-oil sectors: the economic boom

Oil represented a real turning point for the economy of the Persian Gulf, generating an impressive amount of wealth among the exporting countries. The first transformation of the region occurred between the 1930s and the 1960s, when oil was discovered. For centuries, the Arab Gulf was considered one of the poorest region in the world, but suddenly flourishing oil revenues allowed the development of the territory, with the emerging of infrastructures and buildings that changed the urban landscape of the cities and improved the standards of living of the local populations.³⁷² The second transformation resulted from the oil price revolution between 1973 and 1974, when even more capitals were invested for the socioeconomic enhancement of the region.³⁷³ However, the repercussions caused by the decline in oil prices during the 1980s, made people understood that their economies were strictly dependent on a single and extremely vulnerable source of wealth. Moreover, another issue started to concern the Gulf states: despite the new reserves that were constantly discovered, which were smaller and therefore less productive, oil was a depletable resource.³⁷⁴ Alternative strategies had to be found in order to allow a constant and safer development for the region.

³⁷² Peterson J. E., "Life after oil", *Mediterranean Quarterly*, XX (2009), 3, p. 1

³⁷³ *Ibidem*.

³⁷⁴ *Ivi*, p. 2

Besides all of these problems, the emirate of Dubai had to face the fact that its hydrocarbon reserves were really low, if compared to the ones of other countries: they did not permit the self-sustainability of the sheikhdom. Even if millions of petrodollars kept on being invested abroad with the hope that they would be useful for a post-oil future, they would never grant a long-term solution. Another multidimensional approach had to be followed.³⁷⁵

Starting from the 1980s, the entire federation, with Dubai on the forefront, decided to launch a project based on economic diversification, starting from the industrial sector. Among the developing countries, there were two main sub-strategies that could be implemented at this regard: an export-oriented industrialization (EOI) and an import-substitution industrialization (ISI).³⁷⁶ The former was aiming at the creation of competitive large-scale industries able to produce certain kind of goods that would be exported worldwide. Even if this system was based on the employment of foreign modern technology, it would provide a first step for a further domestic industrial development. The latter was an approach based on the importation of foreign technology and the protection of the domestic market, until the country could substitute these imported goods with its own production.³⁷⁷ The combined application to these strategies led the UAE's non-oil sector to a considerable level of growth, which kept on increasing during the next decades.

Given its low-resources situation, Dubai was one of the leading investors in this approach of economic diversification. Along with the industrialization and the domestic manufacturing sector, the strategy concerned also the expansion of the commercial and tourism industry, not to mention the massive investments for the creation and

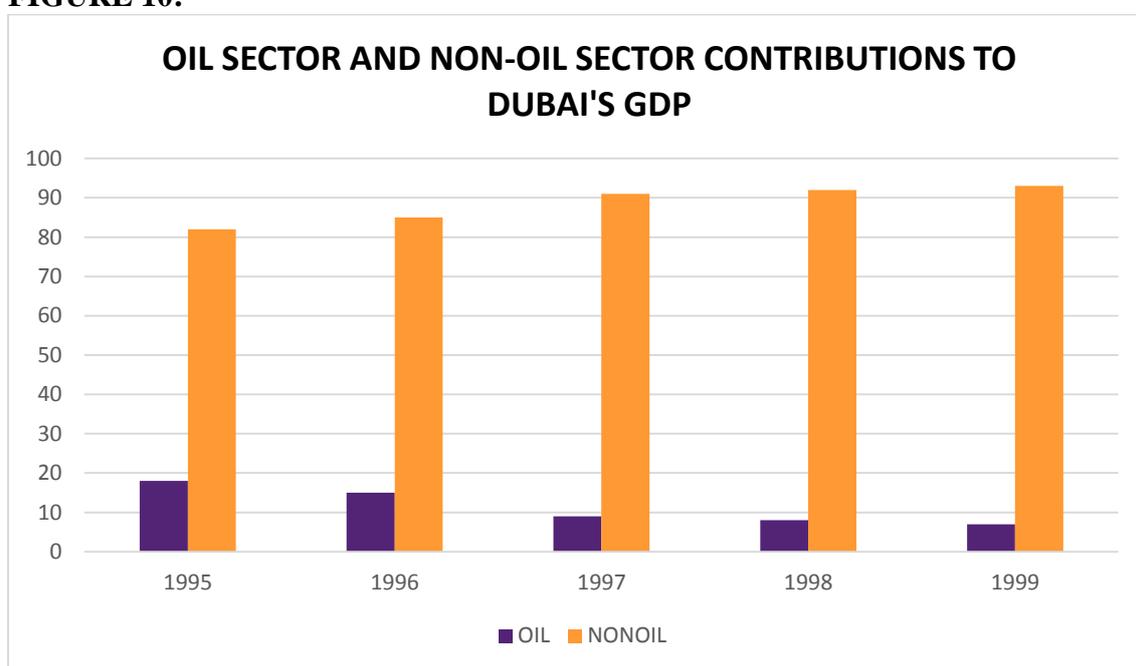
³⁷⁵ C. Davidson, *The United Arab Emirates: a study in survival*, cit., p. 121

³⁷⁶ Ivi, p. 123

³⁷⁷ Ivi, p. 124

maintenance of physical infrastructures, which were a main priority for the development of the country. It was estimated that by the first half of the 1990s, Dubai's non-oil economic sectors represented 82% of the total emirate's GDP, reaching 94% of the total GDP in 2000.³⁷⁸ In the same year, considering the whole federation, Dubai's total GDP contributed to 24-25% of UAE's total, demonstrating the consistent responsibility of the sheikhdom towards the non-oil diversification process.³⁷⁹

FIGURE 10:³⁸⁰



The importance of Dubai's geographical position, as the major trade hub of the Persian Gulf and its particular cosmopolitan environment entailed also a great economic attractiveness for foreign direct investments. In spite of the Commercial Companies Law approved in 1984 and based on the *kafil* system, the sheikh was strongly committed to improve even more this international success.³⁸¹ Therefore, new measures were taken

³⁷⁸ *Ivi*, p. 159

³⁷⁹ *Ibidem*.

³⁸⁰ *Ibidem*.

³⁸¹ A. Syed, *Dubai gilded cage*, cit., p. 26

encouraging the constitution of commercial ventures with local partners and creating certain areas regulated by a free trade zone (FTZ) policy, according to which companies and business could operate in a tax-free jurisdiction.³⁸²

JEBEL ALI AND THE FREE ZONE POLICY

By 1985, the majestic Port of Jebel Ali, also known as Mina Jebel Ali, was officially opened 35km southwest from the centre of Dubai. In the same year, Sheikh Rashid managed to outflank the federal law establishing that foreign companies could rent storehouses and small facilities in the entire area of Jebel Ali without sponsorships.³⁸³ Jebel Ali free zone (Jafza) was a district in which firms could operate outside federal customs and legislative barriers and find low wage non-unionize labour.³⁸⁴ Starting with 19 business enterprises, in 1992 the area accommodated 480 companies from 56 countries, three years later there were 800 firms from 72 countries and the perspectives of further expansion were very high.³⁸⁵ In 1999, the business community consisted of 1633 companies and just one year later the number shifted to 2051.³⁸⁶

³⁸² C. Davidson, *Dubai: the vulnerability of success*, cit., p. 115

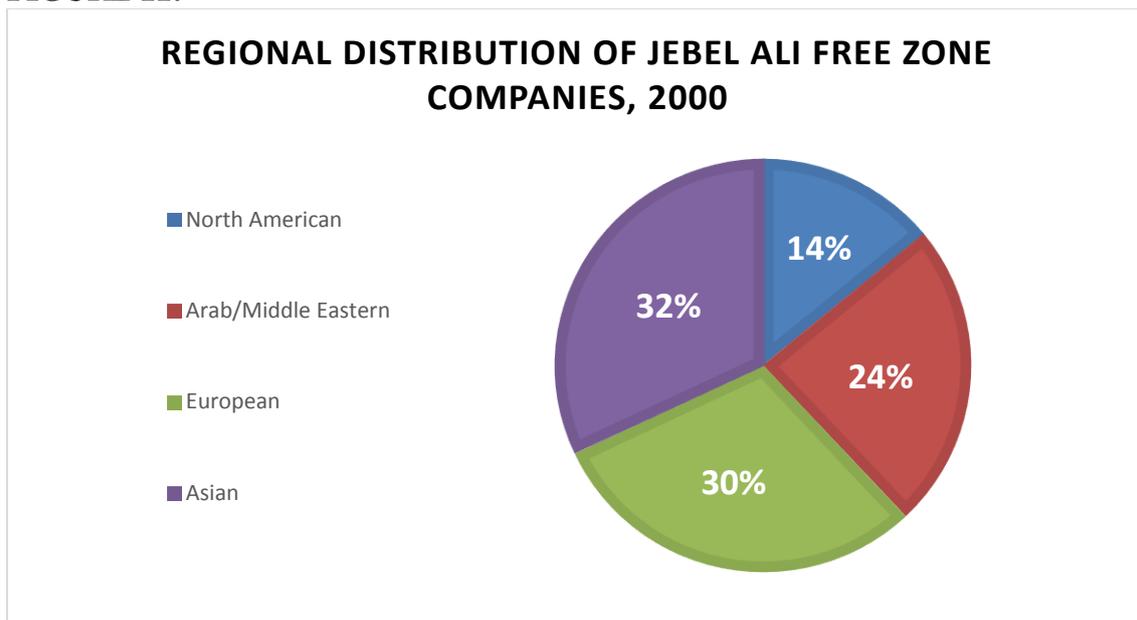
³⁸³ S.J. Ramos, *Dubai amplified*, cit., p. 126

³⁸⁴ *Ivi*, p. 127

³⁸⁵ *Ibidem*.

³⁸⁶ *Ibidem*.

FIGURE 11: ³⁸⁷



Nowadays there are over 7100 firms established in the Jebel Ali free zone, creating more than 135,000 job positions.³⁸⁸ The Jafza attracts more than 20% of the entire UAE's foreign direct investment and generates more than 50% of Dubai's exports.³⁸⁹ The first companies settled in the district were mainly textile industries and auto parts importers, but as the economy developed, new sectors expanded their business within the boundaries of the area, especially when it was understood the fundamental importance of online communication for high technology industries. Among these new firms, several multinational companies decided to take advantage of the free trade regime, such as Nokia, Daewoo, Reebok, IBM, Compaq, Microsoft, HSBC, etc.³⁹⁰ Soon Jebel Ali became "a city within a city": the infrastructural projects (seaport, airport) combined with the cluster strategy permitted the constitution of a specific area for production, trade and economic growth.³⁹¹

³⁸⁷ C. Davidson, *The United Arab Emirates*, cit., p. 259

³⁸⁸ Jebel Ali Free Zone Authority, Our history, <http://www.jafza.ae/about-us/our-history>, retrieved 24.01.2014

³⁸⁹ *Ibidem*.

³⁹⁰ S. J. Ramos, *Dubai amplified*, cit., p. 127

³⁹¹ *Ivi*, p. 130

The Jafza was recognized as a milestone in the history of the emirate, as stated by the Easa Saleh Al Gurg Group, one of the leading business enterprise of the entire federation: “[...] the subsequent foundation of the Free Zone at Jebel Ali have contributed more, perhaps, than any other innovation to the present success which Dubai enjoys”.³⁹²

Following the model of Jebel Ali, other free trade zones were implemented in the emirate: the FTZ policy has been in force since 1985, attracting always more capitals and shaping Dubai as one of the outstanding destination in the business world.

Each free zone is managed by a Free Trade Zone Authority (FZA), with the task of granting licenses and giving assistance to the companies interested in establishing their business in the enclave.³⁹³ There are different typologies of licenses, but the business directed by each firm must attain to the given certificate. Moreover, companies can operate within the free trade zone or abroad, but they are not allowed to sell their products in the UAE. In order to do so, a local appointed agent is required.³⁹⁴

Inside the zone, investors can establish a brand new company (a Free Zone Establishment - FZE, if owned by one person, or a Free Zone Company - FZCO, if there is more than one shareholder) or they can simply settle a branch of an already existent firm.³⁹⁵

The free trade policy entails several benefits, which are:

- 100% foreign ownership
- 100% import and export tax exemption (applied to re-exports as well)
- Unrestricted repatriation of capitals and profits
- Income and corporate tax exemption for up 50 years (renewable)

³⁹² *Ivi*, p. 107

³⁹³ UAE Interact, UAE Free Trade Zones, <http://www.uaeinteract.com/business/settingup.asp>, retrieved 24.01.2014

³⁹⁴ *Ibidem*.

³⁹⁵ PKF United Arab Emirates, *Free Zones in the UAE*, PKF United Arab Emirates, Dubai, 2009, p. 18

- Assistance for labour recruitment and additional support services (e.g. sponsorship, housing).³⁹⁶

Nowadays, the overall number of free trade zones in the UAE is 37; 26 of them are located in Dubai, each one dedicated to on a particular sector.³⁹⁷

Besides the aforementioned Jebel Ali Free Zone (Jafza), a second enclave was announced in 1996: the Dubai Airport Free Zone (DAFZ).³⁹⁸ This area is located within the boundaries of the Dubai International Airport (DBX), opened in 1960 and further expanded into a modern and advanced facility during the years. The services provided by the companies settled in the DAFZ are connected to the airport functions and they include a wide range of sectors, such as aviation, engineering, logistics, ICT, pharmaceutical, food and beverage, jewellery and so on.³⁹⁹ Sheikh Maktoum – succeeded to his father Rashid in 1990 – launched another FTZ project in 1999 aimed to foster Dubai’s position inside the framework of modern technology. The enclave was realized in record time and one year later, the ruler officially announced the opening of the Dubai Technology and Media Free Zone (DTMFZA), a tax-free area specialized in the information and communication technologies (ICT), media, educational services and institutions and scientific sectors.⁴⁰⁰ A cluster of other “sub-free trade zones” is governed by the DTMFZA; here we can find:

- Dubai Internet City (DIC), the biggest Middle Eastern IT infrastructure built inside a free trade zone.⁴⁰¹

³⁹⁶ UAE Interact, UAE Free Trade Zones, <http://www.uaeinteract.com/business/settingup.asp>, retrieved 24.01.2014

³⁹⁷ PKF United Arab Emirates, *Free Zones in the UAE*, cit., p. 18

³⁹⁸ Dubai Airport Free Zone, Why airport free zones?, <http://www.dafz.ae/en/index.html>, retrieved 24.01.2014

³⁹⁹ Dubai Technology and Media Free Zone, Laws and regulations, <http://dtmfza.gov.ae/en/laws-a-regulations.html> retrieved 24.01.2014

⁴⁰⁰ *Ibidem*.

⁴⁰¹ PKF United Arab Emirates, *Free Zones in the UAE*, cit., p. 27

- Dubai Media City (DMC), an environment specifically created in order to guarantee the freedom of expression and creation to the companies that operate inside this zone. This is a particularly interesting proposal, giving the fact that in the UAE censorship is a very common practice applied to all the information that are not shared by the government and the ruler, especially if they undermine Arab identity.⁴⁰²
- Dubai Studio City (DSC), designed to foster the establishment of broadcast, film, television and music production companies.⁴⁰³
- International Media Production Zone (IMPZ), an initiative to develop Dubai into a media hub, provided with proper technological infrastructures.⁴⁰⁴
- Dubai Outsource Zone (DOZ), the first free zone in the world for the outsourcing industry.⁴⁰⁵
- Dubai Knowledge Village (DKV), an education and training platform created for the development of a knowledge economy.⁴⁰⁶
- Dubai International Academic City (DIAC), the one and only free zone in the world dedicated to international higher education.⁴⁰⁷
- Dubai Biotechnology & Research Park (Dubitech), an area created for the biotechnology industry with laboratories, suppliers, educational and academic institutions and other related facilities.⁴⁰⁸

⁴⁰² *Ivi*, p. 28

⁴⁰³ *Ivi*, p. 30

⁴⁰⁴ *Ivi*, p. 32

⁴⁰⁵ *Ivi*, p. 37

⁴⁰⁶ *Ivi*, p. 34

⁴⁰⁷ *Ivi*, p. 35

⁴⁰⁸ *Ivi*, p. 40

- Energy And Environment Park (Enpark), specifically planned for environmental and clean energy companies, it provides a sustainable environment in which clients can operate.⁴⁰⁹

The Dubai Multi Commodities Centre (DMCC) was inaugurated in 2002 as a specialized centre for commodities industries (gold, pearls, diamonds and other precious stones, metals and agricultural products).⁴¹⁰ This free trade zone was created in order to enhance the trading flows, taking advantage of the favourable geographical position of Dubai. The activities of these firms are supported by associated financial, logistic and insurance companies located in the same district.⁴¹¹ The DMCC was then flanked by the Jumeirah Lakes Towers (JLT), a collateral free zone offering commercial, retail and residential properties.⁴¹²

In 2003, Technopark (TP) was launched as a free trade zone operating under the authority of Dubai World, a leading holding company owned by the government itself. Its main activities concerned projects for the research and the development of new sustainable technologies.⁴¹³

In the same year, it was created Dubai Healthcare City (DHCC). As the name suggest, this enclave offers a wide range of high quality healthcare services. Inside the zone, besides several medical facilities (clinics, hospitals, laboratories, wellness centres, etc.) there are also schools and universities providing teaching and researching programmes in the field.⁴¹⁴

⁴⁰⁹ *Ivi*, p. 39

⁴¹⁰ *Ivi*, p. 43

⁴¹¹ Dubai Multi Commodities Centre, About DMCC, <http://www.dmcc.ae/jltauthority/about-dmcc/> retrieved 24.01.2014

⁴¹² Jumeirah Lakes Towers, About us, <http://www.jlt.ae/about-jlt/about-us> retrieved 24.01.2014

⁴¹³ Technopark, Technopark advantage, <http://www.technopark.ae/en/overview/technopark-advantage.html> retrieved 24.01.2014

⁴¹⁴ Dubai Healthcare City, Overview, <http://www.dhcc.ae/Portal/en/about-us/overview.aspx> retrieved 24.01.2014

Dubai International Financial Centre (DIFC) is another FTZ created in 2004 taking advantage of Dubai's special position between the Far East and the western side of the world (Europe and the U.S.). The president of DIFC is Sheikh Mohammed, who became ruler in 2006 after the death of his elder brother. The purpose of this platform was establishing a regional financial centre able to attract institutions and investments from all over the world, enhancing the economic role of the UAE and the Gulf region.⁴¹⁵ An independent jurisdiction is acknowledged inside the boundaries of the DIFC, different from the federal one.⁴¹⁶ In 2005, an innovative project was launched inside the FTZ, the Dubai International Financial Exchange (DIFX), then renamed NASDAQ Dubai.⁴¹⁷ It is the stock exchange of the Middle East, created in order to attract the shares and other securities of regional companies. International investors can have access to NASDAQ Dubai as well, integrating the regional market into a global perspective.⁴¹⁸

In 2007, the government of Dubai created a particular non-profit FTZ as a global and humanitarian aid hub, called International Humanitarian City (IHC).⁴¹⁹ The organisations and companies settled in the zone are committed to provide facilities and services to humanitarian entities in needs. It is a non-religious and non-political platform that clusters United Nations agencies as well as local and international entities in order to promote social responsibility and global partnership.⁴²⁰

Further FTZs located in Dubai are Dubai Cars and Automotive Zone (DUCAMZ), Dubai Gold and Diamond Park (GDP), Dubai Logistics City (DLC), Dubai Maritime City

⁴¹⁵ Dubai International Financial Centre, Discover DIFC, <http://www.difc.ae/discover-difc> retrieved 24.01.2014

⁴¹⁶ *Ibidem.*

⁴¹⁷ *Ibidem.*

⁴¹⁸ NASDAQ Dubai, Overview, <http://www.nasdaqdubai.com/exchange/about-us/overview> retrieved 24.01.2014

⁴¹⁹ International Humanitarian City, Who we are, <http://www.ihc.ae/page/who-we-are> retrieved 24.01.2014

⁴²⁰ *Ibidem.*

(DMC), Dubai Silicon Oasis (DSO), Dubai Flower City (DFC), Dubai Textile City, Heavy Equipment & Trucks City (HETZ), Dubai Auto Parts City.⁴²¹

This free trade zone strategy was developed following the cluster theory, creating a series of self-sustainable realities that are contained within Dubai's borders.⁴²² Through the attraction of international capitals and investments, the emirate succeeded in developing its infrastructures and its economy at the same time, producing benefits for the local and the expatriate population as well. Of course, the rapid and impressive development of the emirate entailed also several downsides, especially from a regional and social perspective, which will be discussed further on.

AN INTERNATIONAL TRADE HUB

The image of Dubai as a worldwide trade and business hub represents the perfect example of a reality shaped by the globalizing forces. Besides the foreign trading partners, which overtake the regional ones (e.g. Kuwait, Bahrain, Yemen), there are other global actors that affect the economy of the emirate.⁴²³ Indeed, the UAE had been involved in several supranational economic organisations, such as the United Nations Development Programme, the World Trade Organisation and the International Monetary Fund.⁴²⁴ First of all, in March 1994, the UAE signed the General Agreement on Tariffs and Trade (GATT), a multilateral agreement regulating international trade, based on the reduction of tariffs and other economic barriers.⁴²⁵ In April 1995, the World Trade Organisation

⁴²¹ PKF United Arab Emirates, *Free Zones in the UAE*, cit., p. 18

⁴²² S.J. Ramos, *Dubai amplified*, cit., p. 92

⁴²³ C. Davidson, *The United Arab Emirates*, cit., p. 257

⁴²⁴ *Ivi*, p. 259

⁴²⁵ International Monetary Fund, *United Arab Emirates: recent economic developments*, IMF, Washington, 1988, p. 65

(WTO) replaced the GATT with the purpose of gathering together all the countries committed to the principles of trade liberalization on a most-favoured-nation basis. One year later, in 1996, the UAE became an official WTO member.⁴²⁶ Nevertheless, the country maintained the right to impose special tariffs in order to protect small local industries from competition and to prevent the possibility of an economic dumping.⁴²⁷ With its participation in this kind of organization, the UAE demonstrated to support the creation of an international environment in which competition and openness were encouraged by the WTO countries. Considering its commitment at a regional level as a member of the Gulf Cooperation Council, in 1998 the UAE agreed to the creation of the Greater Arab Free Trade Area (GAFTA).⁴²⁸ This project was one of the most relevant achievement between Arab countries, establishing the existence of an Arab common market. In 2005, the agreement was renovated and extended, declaring the full trade liberalization of goods, with the elimination of customs duties and charges between members (except Yemen and Sudan).⁴²⁹ Moreover, along with other GCC countries, the UAE signed several bilateral agreements aiming to expand the international free trade policy with the United States, China, Turkey, Australia and the European Union (considered as a single actor).⁴³⁰

According to the data published by the Dubai Department of Economic Development in April 2012, we can observe a constant growth of the total flow of exports from 2006 to 2008, when it reached its peak with a total trade export of AED 920

⁴²⁶ *Ibidem*.

⁴²⁷ C. Davidson, *The United Arab Emirates*, cit., p. 261

⁴²⁸ The GAFTA include the following Arab countries: Jordan, Morocco, Kuwait, United Arab Emirates, Syria, Tunis, Bahrain, Lebanon, Libya, Saudi Arabia, Iraq, Sudan, Oman, Egypt, Yemen, Qatar, Palestine.

M. M. Albarbary, A. Mahate, *Free Trade Agreements Briefing Note*, Dubai, Dubai Department of Economic Development, 2013, p. 4

⁴²⁹ *Ibidem*.

⁴³⁰ *Ibidem*.

million.⁴³¹ The 18% decline registered in the following year was the direct consequence of the 2008 financial crisis that affected the global economy, including Dubai. However, the situation was quickly restored and in 2011 the total amount of the emirate's exports was evaluated AED 1083 million. The top direct products that Dubai exported did not show big changes during the years. These mainly included aluminium, mineral fuels, plastics, sugar and jewellery.⁴³²

Analysing the leading export trading countries of 2005 (figure 13) and 2011 (figure 14), India represented the principal and loyal partners for Dubai's commercial activity (30,3-36%), followed by Iran (4%). Among the Arab countries, Saudi Arabia intensified its trading with Dubai, escalating from a 2,2% in 2005 to a 4% in 2011.⁴³³ Pakistan, China and the U.S. instead left their positions as top trading partners, replaced by new Far Eastern actors such as Singapore, Thailand and Hong Kong.⁴³⁴

Dubai is also a famous re-export hub, as demonstrated by its historical gold trade with India or its smuggling activity with Iran. Its intermediary role has an important impact in the economy of the emirate and the whole federation. An exponential growth in the re-exporting activity was registered in the first decade of the 21st century. If the total amount of direct re-exports in 2001 was AED 22,5 million, ten years later it reached AED 160,69 million.⁴³⁵ The kinds of re-exported goods did not vary that much also in this case. Among the most re-exported products, there were precious metals and stones, such as gold, platinum and diamonds, motor cars, woven fabrics and electrical apparatus.⁴³⁶

⁴³¹ Dubai Department of Economic Development, *Dubai trade profile 2006-2011*, Dubai Exports, Dubai, 2012, p. 4

⁴³² *Ibidem*.

⁴³³ *Ibidem*.

⁴³⁴ *Ibidem*.

⁴³⁵ Data Management & Business Research Department, *New Export Markets for Dubai*, DCCI, Dubai, 2007, p. 13

⁴³⁶ Dubai Department of Economic Development, *Dubai trade profile 2006-2011*, cit., p. 11

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FIGURE 12: DUBAI TRADE PROFILE:⁴³⁷
[Million AED]

PARAMETER	2006	2007	2008	2009	2010	2011
TOTAL DIRECT EXP	316,4	425,4	612,7	488,5	575,6	700
TOTAL FTZs EXP	193,6	237,7	307,1	264	323,2	383
TOTAL DUBAI TRADE	510	663	920	753	899	1083
DUBAI TOTAL TRADE GROWTH YEAR-ON-YEAR		30%	39%	-18%	19%	20%

⁴³⁷ *Ivi*. p. 7

FIGURE 13:⁴³⁸

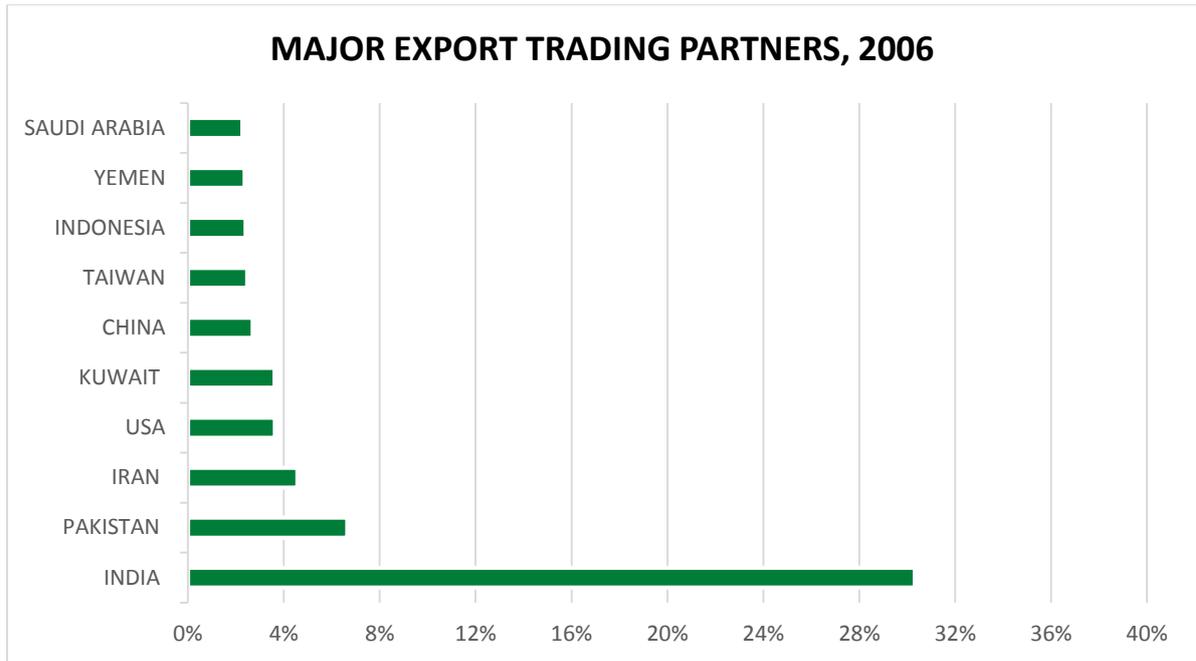


FIGURE 14:⁴³⁹



⁴³⁸ *Ivi*, p. 8.

⁴³⁹ *Ibidem*.

REAL ESTATE SECTOR

The growing success of the free trade zone policy echoed all over the world, conferring to Dubai a prominent position for business, which continues to exist nowadays. The FTZs were considered worthwhile areas where a considerable number of multinationals decided to locate their branches, adding value to their activities and where brand-new companies were launched as well. This industrial and economic development influenced also the real estate sector of the emirate. The business activities progressively brought an increasing number of new expatriates to Dubai, who needed accommodations. By the mid-1990s, there was no property market in Dubai, since most of the developed land of the emirate, owned by the ruling family, had been donated by the sheikh to other national families.⁴⁴⁰ The first residential complex was announced in 1997: Emirates Hills, located near the Emirate Golf Club, was planned to host GCC nationals and more surprisingly, other foreigners.⁴⁴¹ This project opened the possibility of liberalizing the land market in Dubai, even if selling properties to non-UAE citizens was technically illegal, since the Land Law (1960) was still in force.⁴⁴² Following the example of Emirates Hills, Westside Marina (renamed Dubai Marina few years later) was a complex of towers facing the seafront in which also foreign people were allowed to buy their own apartment.⁴⁴³

Considering the rapid growth of the real estate sector and the increasing number of foreigners living in Dubai, in 2002 the Crown Prince of Dubai, Sheikh Mohammed, issued an important decree declaring that non-UAE citizens were allowed to buy

⁴⁴⁰ C. Davidson, *Dubai: the vulnerability of the success*, cit., p. 129

⁴⁴¹ S. J. Ramos, *Dubai amplified*, cit., p. 131

⁴⁴² *Ibidem*.

⁴⁴³ C. Davidson, *Dubai: the vulnerability of success*, cit., p. 130

properties in selected areas of the emirate.⁴⁴⁴ Forty-two years after the emanation of the Land Law, the right of freehold property was extended to all the expatriates who wanted to purchase their own piece of land in Dubai. A series of brand new housing projects follows the decree: the Greens complex, the Emaar Towers, The Springs, Arabian Ranches, etc. all of them offering high-standards allocations in modern villas or residential towers. The complexes were then completed with the construction of surrounding amenities such as swimming pools, golf links, supermarkets, gyms, social clubs and so on.⁴⁴⁵

In March 2006, there were further development on the legal front. The announcement of the Dubai Property Law officially confirmed the freehold ownership of designated land by UAE, GCC and non-GCC citizens: the sheikh issued a list of 23 areas and 45 plots where foreigners could purchase their own property.⁴⁴⁶ The government also decided to assign residency visas to foreign landowners and to establish a Land Department (or Department of Land and Properties) in order to provide a centralized registration system for the control of property rights. It was established a free-property tax policy, customers had only to pay a 1.5% registry fee calculated on the total value of their purchase.⁴⁴⁷

Thanks to these legislative improvements, people felt more safeguarded and the demand for an accommodation in Dubai rose. From 2006 onwards, the real estate industry was at its peak: construction-engineering teams from all over the world were planning iconic buildings that would shape the innovative image of Dubai. Housing projects, hotels, facilities arose along the creek, offering a wide variety of services that encouraged the arrival of new workers, businessmen and tourists. The importance of local real estate ventures, partly owned by the ruling family, increased in few years as well. Emaar

⁴⁴⁴ S. J. Ramos, *Dubai amplified*, cit., p. 132

⁴⁴⁵ C. Davidson, *Dubai: the vulnerability of success*, cit., p. 130

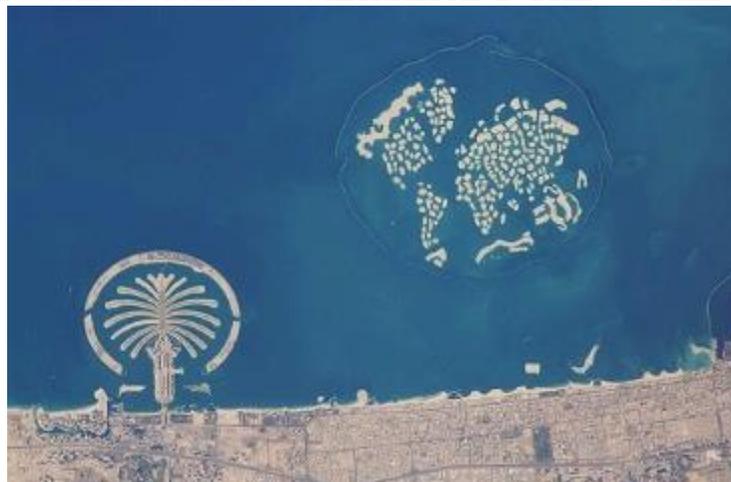
⁴⁴⁶ *Ivi*, p. 131

⁴⁴⁷ *Ivi*, p. 132

Properties, Nakheel and Dubai Holding companies were renowned as the three big developers of the new majestic Dubai. By 2008 they were responsible for more than the 70% of the construction projects in the city.⁴⁴⁸

One of most famous plan that that soon became renowned worldwide was the Palms Islands. Villas, apartments and luxury hotels were built on two artificial palm-shaped strips of land surrounded by the sea and encircled by a protective barrier reef. Before their execution, Dubai's beachfront was fully occupied, so a new shoreline had to be created in order to encourage further foreign investments. The Palm Jumeirah and the Palm Jebel Ali were the perfect solutions, offering seafront properties, each one provided with a private beach. Using unprecedented techniques, new neighbourhoods arose from the water, taking advantage of the mild gulf tides.⁴⁴⁹ A similar artificial project was The World, an archipelago of islands dredged in the shape of a world map. However, the works had been delayed due to finance and technical problems. Nowadays the majority of the islands is still incomplete.⁴⁵⁰

FIGURE 15: PALM JUMEIRAH AND THE WORLD ⁴⁵¹



⁴⁴⁸ J. Krane, *City of gold*, cit., p.302

⁴⁴⁹ *Ivi*, p.155

⁴⁵⁰ C. Davidson, *Dubai: the vulnerability of success*, cit., p. 131

⁴⁵¹ Flickr, Palm Island, World Island, Dubai, United Arab Emirates (NASA, International Space Station Science, 01/13/10), http://farm5.staticflickr.com/4003/4310973329_fca7a81d56_o.jpg retrieved 24.01.2014

The crash of the real estate

In six years, from 2002 to 2008, the city of Dubai had quadrupled its size, attracting always more people from abroad, who settled there mainly for job-related reasons. Following this trend, Dubai's population reached 1,645,973 people by the end of 2008.⁴⁵² Quite an impressive number, considering that many of these citizens decided to invest their capitals in the real estate market, fostered by the Dubai Property Law issued two years before. The three big real estate developers, Emaar Properties, Nakheel and Dubai Holding rode the wave of the moment, launching a series of massive development projects, such as The Palms Islands and The World.⁴⁵³ At the Abu Dhabi Cityscape property show, held in the federal capital city in February 2008, customers were competing between each other in order to drive a bargain and buy their own piece of Dubai's land.⁴⁵⁴ One third of them was represented by non-GCC citizens, mainly from Russia and the United States.⁴⁵⁵ This intense demand entailed easy and instant profits, creating a climate of wild speculation on the real estate sector. In the same year, Dubai was reaching its capacity to build, not only because the labour force could not work faster, but also because there were no more free areas for developing new projects in the urban centre.⁴⁵⁶ It was physically impossible to realize the buildings that had been planned: a situation that allowed an increase of the construction pricings. It was not anymore convenient to build in Dubai and several projects were taken out from the market.⁴⁵⁷ At the same time, the international economic situation was collapsing too: the subprime mortgage crisis that had affected the U.S. was influencing the entire financial world and

⁴⁵² Dubai Statistic Centre, *Population – Emirate of Dubai 2008*, DSC, Dubai, 2010, p. 2

⁴⁵³ CBC News, Debt crisis puts spotlight on Dubai World, <http://www.cbc.ca/news/world/debt-crisis-puts-spotlight-on-dubai-world-1.832960> retrieved 29.01.2014

⁴⁵⁴ J. Krane, *City of gold*, cit., p. 297

⁴⁵⁵ *Ibidem*.

⁴⁵⁶ *Ivi*, p. 298

⁴⁵⁷ CBC News, Debt crisis puts spotlight on Dubai World, <http://www.cbc.ca/news/world/debt-crisis-puts-spotlight-on-dubai-world-1.832960> retrieved 29.01.2014

the developed countries in particular.⁴⁵⁸ The banks that did not declare their bankruptcy changed the rules for accessing to credit and the requirements for mortgage loans became more difficult to satisfy. In order to avoid the menace of high inflation, Dubai tried to reevaluate the dirham investing \$55 billion out from the federation.⁴⁵⁹ At the same time, foreign investors called back their capitals and sold their shares. The real estate market had to face the dramatic fallout caused by the financial shock: Dubai's properties were left without buyers.⁴⁶⁰ The uncontrolled "overbuilding fever" of the previous years ended up with the stalemate and then the collapse of the real estate sector. Using Krane's words: "Dubai's excess suddenly looked excessive".⁴⁶¹ The construction leading companies, which were also listed in the Dubai Financial Market and were directly involved in the management of several business on behalf of the ruling family, announced \$70 billion of liabilities.⁴⁶² The government of Dubai did not have the resources to pay off a debt that was almost high as the emirate's GDP of that year (\$82 billion).⁴⁶³ Even the Emirates Group, that was expanding its air fleet with a new purchase of 177 aircrafts, had been forced to cancel the orders.⁴⁶⁴ The emirate had borrowed capitals, not only for financing its iconic construction projects, but also to purchase stakes of overseas companies

FIGURE 16:
DUBAI'S DEBTS, 2008 (\$ mln)

Central Government	10,0
Nakheel	7,3
DP World	5,8
Borse Dubai	3,8
Emirates Group	3,7
Emaar Properties	2,4
Other Companies	47,0
Total	80,0

⁴⁵⁸ Zubair H., "Dubai financial crisis: causes, bailout and after - a case study", *Journal of Islamic Banking and Finance*, XXVII (2010), 3, p. 51

⁴⁵⁹ J. Krane, *City of gold*, cit., p. 157

⁴⁶⁰ Z. Hasan, "Dubai financial crisis: causes, bailout and after - a case study", cit., p. 50

⁴⁶¹ J. Krane, *City of gold*, cit., p. 298

⁴⁶² The Economist, Dubai's bail-out. The outstretched palm, <http://www.economist.com/node/13186145> retrieved 22.01.2014

⁴⁶³ *Ibidem*.

⁴⁶⁴ J. Krane, *City of gold*, cit., p. 299

that had been affected by the financial crisis too. Between 2005 and 2008, it was registered a 50-65% drop-off in Dubai's property prices, while the index of Dubai stock was down more than 70% by the end of the year.⁴⁶⁵

The upsetting situation was restored through the agency of the Sheikh Khalifa bin Zayed Al Nahayan, President of the UAE and Ruler of Abu Dhabi.⁴⁶⁶ In February 2009, the Central Bank of the UAE bought Dubai's five-year bonds for a total amount of \$10 billion.⁴⁶⁷ Given its wealthy oil resources, Abu Dhabi could count on a thriving economic stability, saving Dubai from the risk of bankruptcy. Moreover, lending money to the neighbouring Dubai was also a way through which strengthening the UAE federation, a country that since its creation maintained a high level of decentralization.⁴⁶⁸ As a gesture of gratitude, Sheikh Mohammed renamed the world's tallest building, previously known as Burj Dubai, in honour of Sheikh Khalifa.

Nowadays, Dubai's real estate market is almost fully recovered. In 2013, property prices grew by 40%, attracting new flows of foreign direct investments.⁴⁶⁹ In order to avoid possible speculative bubbles and make future projects less dependent on capital markets, the government decided to take some precautionary measures:

- the registry fee was risen from 1.5% to 4%
- limitations over the concession of mortgage loans were implemented.⁴⁷⁰

Other signs of recovery came from the Dubai stock market, which increased by 81% and from the Emirates Airlines, which announced a \$99 billion investment to enhance its fleet,

⁴⁶⁵ *Ibidem*.

⁴⁶⁶ The Telegraph, "Dubai's financial crisis: a Q&A", <http://www.telegraph.co.uk/finance/financialcrisis/6668281/Dubais-financial-crisis-a-QandA.html> retrieved 22.01.2014

⁴⁶⁷ Zubair H., *Dubai financial crisis: causes, bailout and after - a case study*, cit., p. 50

⁴⁶⁸ "Dubai's bail-out. The outstretched palm", *The Economist*, 26 February 2009, <http://www.economist.com/node/13186145> retrieved 22.01.2014

⁴⁶⁹ Il Fatto Quotidiano, "La rinascita di Dubai: è gara di investimenti esteri e cresce il mercato immobiliare", <http://www.ilfattoquotidiano.it/2013/12/09/la-rinascita-di-dubai-e-gara-di-investimenti-esteri-e-cresce-il-mercato-immobiliare/804394/> retrieved 22.01.2014

⁴⁷⁰ *Ibidem*.

becoming the national company with the highest number of aircrafts in the world.⁴⁷¹ The real estate developers directly involved in the debt crisis announced several restructuring plans for the full repayment of creditors in the next 5-8 years. Moreover, the Investment Corporation of Dubai, the holding company which controls the majority of the biggest investment made by the government, managed to rescue part of the capital by selling several companies and among them Dubai World.⁴⁷²

Even if the real estate situation - and more in general the economy of Dubai - seems now restored, the emirate had demonstrated its weakness to the world. Some people argued that Dubai was “designed to absorb foreign money” putting itself on a dangerous position, at the mercy of foreign investors and therefore being strictly dependent on the international economic trends. The fear of future speculative bubbles hides behind every surging moves of the market.⁴⁷³ However, the emirate keeps on planning a future based on its pillars of the economic diversification: real estate, financial and insurance services, trading and tourism. With the recent victory as hosting city for the World Expo 2020, Dubai has great possibilities for redeeming itself from the critical situation of few years ago and enhancing even more its image in the world.

⁴⁷¹ Emirates 24/7, “Dubai Airshow sets global order record; Emirates orders aircraft worth \$100billion”, <http://www.emirates247.com/news/dubai-airshow-sets-global-order-record-emirates-orders-aircraft-worth-100billion-2013-11-17-1.528299> retrieved 24.01.2014

⁴⁷² Il Fatto Quotidiano, “La rinascita di Dubai: è gara di investimenti esteri e cresce il mercato immobiliare”, <http://www.ilfattoquotidiano.it/2013/12/09/la-rinascita-di-dubai-e-gara-di-investimenti-esteri-e-cresce-il-mercato-immobiliare/804394/> retrieved 24.01.2014

⁴⁷³ Il Sole 24 ore, “La crisi morde: ora Dubai teme lo scoppio della bolla del mattone”, <http://www.casa24.ilsole24ore.com/art/mercato-immobiliare/2013-09-30/dubai-teme-bolla-mattone-163659.php?uuid=Ab4GmSgI> retrieved 24.01.2014

TOURISM AND COMMERCE

As one of the strategies of economic diversification, tourism in Dubai exists since when the first Indian and Persian merchants landed on the gulf coasts. These men came in the city for business and they needed a place to stay during their visits. Of course, at that time the tourism industry was completely different from now: it was a barely developed sector, with few basic facilities where clients could stay.⁴⁷⁴ A first series of more enhanced structures arose with the arrival of British professionals who worked in the petroleum industry. By the early 1980s a chamber of commerce was created in each emirate of the federation and in 1989 Dubai established a Department of Tourism and Commerce Marketing, the first structure of this kind in the UAE.⁴⁷⁵ The functions of this department aimed at coordinating and supporting the whole diversification process that Dubai was undertaking, with particular attention for:

- new business opportunities to attract investments and encourage trade
- the implementation of new plans and programmes that enhance the tourism in the emirate, such as marketing campaigns, organization of events and other complementary tourist services.⁴⁷⁶

Considering an average flow of 600,000 visitors per year by 1990, Dubai started to promote itself not only as an international commercial hub, but also as a resort destination.⁴⁷⁷ This entailed the construction of new facilities targeted towards the needs of the tourists. During the 1990s a series of luxury hotel projects was launched, representing a new approach of the tourism industry: Dubai started to build its image as

⁴⁷⁴ J. Krane, *City of gold*, cit., p. 103

⁴⁷⁵ C. Davidson, *The United Arab Emirates*, cit., p. 131

⁴⁷⁶ *Ibidem*.

⁴⁷⁷ C. Davidson, *Dubai: the vulnerability of success*, cit., p. 120

an international tourist location, equipped by a wide variety of structures and amenities suitable both for GCC and non-GCC nationals.

The whole process of economic diversification implemented by the sheikh was not just a matter of scarcity in oil resources: through the implementation of the industrial, commercial and tourist sector, the ruler wanted to distinguish Dubai from other Gulf countries. He aimed at the creation of something exclusive and the same strategy was applied for tourism.⁴⁷⁸ Building modest and efficient hotels was not enough, according to the vision of the sheikh. Therefore, new iconic projects took shape in the city, becoming the symbols of the daring Dubai.

Opened in 1997, Jumeirah Beach Residence was one of the first example of Dubai's superlative creations. The structure was the largest residential project in the world realized in a single phase: a huge complex of 36 towers, expecting to host more than 25,000 residents.⁴⁷⁹ Two years later, another landmark was inaugurated in the city: the Burj Al Arab, or Tower of the Arabs. Shaped like a sail, the building was located into an artificial island close to the aforementioned residential complex.⁴⁸⁰ With its unique position and an unlimited budget for its realization (\$650 million), the Burj Al Arab was the first seven stars hotel in the world equipped with 202 giant suites and world-class amenities.⁴⁸¹ The luxurious sail, together with the Burj Khalifa, have become the most advertised buildings of Dubai, symbols of Arab pride and bravery.

In the following years, new “mega”-projects were launched in Dubai, such as the Emirates Towers Hotel, the Fairmont Hotel and the Madinat Jumeirah Resort.⁴⁸² Between 1990

⁴⁷⁸ W. Hazbun, *Beaches, ruins, resorts*, cit., p. 212

⁴⁷⁹ C. Davidson, *Dubai: the vulnerability of success*, cit., p. 121

⁴⁸⁰ J. Krane, *City of gold*, cit., p. 113

⁴⁸¹ Jumeirah, Burj Al Arab, <https://www.jumeirah.com/en/hotels-resorts/dubai/burj-al-arab/>, retrieved 25.01.2014

⁴⁸² C. Davidson, *Dubai: the vulnerability of success*, cit., p. 122

and 2000 Dubai expanded the number of its hotel from 70 to over 260, generating a \$700 million of tourism receipts in 2000.⁴⁸³

In the aftermath of the 9/11 attacks, a climate of hostility towards Arabs arose worldwide, fostered by the Bush doctrine and the U.S. invasion of Iraq in 2003. This kind of “Islamphobia” severely influenced Arab flows of petrodollars and people directed outside the Middle East.⁴⁸⁴ In 2002 the number of Arab visiting the United States dropped by 50%, as well as Arab travelling to Europe, who decreased by 35%.⁴⁸⁵ These negative trends entailed a repatriation of GCC holding in the U.S., which were invested inside the region for the construction of new infrastructures and facilities, boosting the economic diversification process.⁴⁸⁶ At the same time, there was a redirection in Arab travel patterns: instead of leaving the Middle Easter territories, GCC citizens began to visit neighbouring countries, generating intraregional flows of Arab tourists.⁴⁸⁷ Given this information, it is not surprising that the GCC tourism industry did not collapse after the September 11 attacks. In 2001, tourism was the 12% of the total GDP of Dubai, meaning that in the same year 3.6 million visitors arrived in the emirate.⁴⁸⁸ This tendency continued in the following years with a further increase: 6.4 million tourists recorded in 2006 became 8.2 million in 2010.⁴⁸⁹ In 2011, the tourism industry accounted for 31% of the total GDP.⁴⁹⁰

⁴⁸³ W. Hazbun, *Beaches, ruins, resorts*, cit., p. 207

⁴⁸⁴ *Ivi*, p. 196

⁴⁸⁵ *Ibidem*.

⁴⁸⁶ *Ibidem*.

⁴⁸⁷ *Ibidem*.

⁴⁸⁸ *Ivi*, p. 207

⁴⁸⁹ Dubai Department of Tourism and Commerce Market, *Dubai Hotel Establishment Guests by Nationality*, Dubai, DTCM, 2012, p. 3

⁴⁹⁰ Dubai Economic Council, *Dubai Economy 2011 Report*, Dubai Economic Council, Dubai, 2012, p. 12

FIGURE 17:⁴⁹¹



From 2005 onwards, due to the economic stabilisation of Eastern Europe and the rise of East Asian wealth, new flows of tourists arrived from these regions. These new classes have been particularly attracted by the consumer amenities offered in Dubai.⁴⁹² Indeed, along with the construction of iconic structures for accommodation, the city have developed an impressive variety of complementary services through the years, becoming an entertainment hub.⁴⁹³

One of the first event arranged in the city was the Dubai Shopping Festival (DSF). Organized for the first time in 1996, this event turned out to be one of the greatest accomplishment of the tourism industry.⁴⁹⁴ The DSF promotes hundreds of hotel, restaurants, shops, street entertainment events, consolidating the image of Dubai as an international shopping centre. Only in its first year, the event generated over \$1 billion, an impressive success for brand-new initiative. From its first edition onwards, the festival

⁴⁹¹ W. Hazbun, *Beaches, ruins, resorts*, cit., p. 193

⁴⁹² *Ivi*, p. 208

⁴⁹³ *Ibidem*.

⁴⁹⁴ C. Davidson, *Dubai: the vulnerability of success*, cit., p. 124

has become an annual occasion, except in 2006 when it was suspended due to the unexpected death of Sheikh Maktoum.⁴⁹⁵ Other similar event launched by the Department of Tourism and Commerce Marketing are the Summer Surprises Festival, promoting tourism in the out-of-season summer months and “Dubai, the city that cares” Festival, held during the month of Ramadan.⁴⁹⁶ In the emirate there are also several initiatives focused on the entertainment sector such as Dubai International Film Festival and Dubai Desert Rock Festival, which in the past attracted international actors and singers. A great variety of sports event represents a valid resource for tourism as well: beside the Dubai World Cup, which is the world’s richest horserace, Dubai hosts golf tournaments, soccer games, tennis matches and rugby competitions, bringing celebrities and sport fans to the emirate.⁴⁹⁷ The sheikh has been trying to promote also a sort of “heritage culture” through the creation of museums, art galleries and other similar structure that provide educational distractions for tourists. The Heritage and Diving Village, for example, is a reconstruction of the ancient Dubai, when the pearling activity was the main income of the sheikhdom.⁴⁹⁸ In the decades, Dubai has developed also a shopping industry, creating massive structures that host hundreds of shops, boutiques, restaurants, cinemas and other bizarre amenities. Besides the common services, The Dubai Mall, which is the largest shopping mall in the world, offers an indoor theme park, an indoor ice rink, and an underwater zoo.⁴⁹⁹ The Mall of Emirates, instead is provided with an indoor sky slope and a snow park.⁵⁰⁰ The dozens of malls that arise in Dubai stimulate a lively competition between owners: that is why such kinds of unconventional initiatives have been created.⁵⁰¹

⁴⁹⁵ *Ibidem*.

⁴⁹⁶ C. Davidson, *The United Arab Emirates*, cit., p. 132

⁴⁹⁷ C. Davidson, *Dubai: the vulnerability of success*, cit., p. 127

⁴⁹⁸ C. Davidson, *The United Arab Emirates*, cit., p. 136

⁴⁹⁹ The Dubai Mall, Information, <http://www.thedubaimall.com/en/Index.aspx>, retrieved 28.01.2014

⁵⁰⁰ W. Hazbun, *Beaches, ruins, resorts*, cit., p. 212

⁵⁰¹ C. Davidson, *Dubai: the vulnerability of success*, cit., p. 111

Probably the most outstanding project realized in Dubai, which also has become a symbolic building of the city, is the Burj Dubai.⁵⁰² Sheikh Mohammed commissioned this skyscraper specifying that, once completed, it would catch the attention of the entire world. According to these premises, the operations to erect the tallest building in the world began in 2004. In April 2008, the structure was 120 stories high and one year later it reached a total of 160 stories and its record was established.⁵⁰³ In 2009 it was added a topping pinnacle to the structure, for a total vertical extension of 829.8 meters. With a construction-engineering team of 380 skilled men, the Burj Dubai took shape in 1,325 days, a period of time that could have been even shorter if the real estate crisis had never affected the contractor companies involved in the project.⁵⁰⁴ Nevertheless, the legendary building with its shiny aluminium and glass façades has soon begun to appear worldwide on travel magazines, web sites and television screens, as a symbol of the strength and ambition of Dubai.⁵⁰⁵ Due to the aforementioned real estate crisis, in 2009 the building was renamed Burj Khalifa after Sheikh Khalifa Bin Zayed al Nahyan, the man who rescued Dubai from bankruptcy.⁵⁰⁶ On 4 January 2010, the Burj Khalifa was inaugurated with a dramatic fireworks ceremony, which was documented by hundreds of media outlets.⁵⁰⁷ Seen as a landmark of the Arab world, the creation of this building was also perceived as a symbol of extreme overconsumption that does not go along with the \$10bn

⁵⁰² J. Krane, *City of gold*, cit., p. 159

⁵⁰³ Burj Khalifa, Construction: building a global icon, <http://www.burjkhalifa.ae/en/TheTower/Construction.aspx> retrieved 28.01.2014

⁵⁰⁴ *Ibidem*.

⁵⁰⁵ *Ibidem*.

⁵⁰⁶ The Guardian, Burj Khalifa – a bleak symbol of Dubai's era of bling”, <http://www.theguardian.com/culture/2010/jan/10/burj-khalifa-dubai-skyscraper-architecture> retrieved 22.01.2014

⁵⁰⁷ BBC News, World's tallest building opens in Dubai, http://news.bbc.co.uk/2/hi/middle_east/8439618.stm retrieved 28.01.2014

loan received by the neighbouring Abu Dhabi, not mentioning the even worse conditions of thousands of workers who build these lavish structures.⁵⁰⁸

The aviation industry and Emirates Airline

Inside the tourism industry, the aviation sector represents an important achievement for Dubai. As previously mentioned, Dubai International Airport (DXB) was built in the 1960s and it was used as a refuelling stop for years, given its strategic position between Europe and Asia. The discovery of oil in the Middle East attracted consistent flows of foreigners who travelled back and forth their homelands, mainly for job purposes. In the gulf area there was already an airline company called Gulf Air – owned by an association of governments that put together Bahrain, Abu Dhabi, Qatar and Oman – which connected regional destinations, but the number of its flights were not enough for the increasing number of visitors.⁵⁰⁹ In order to provide a useful service to these people and enhance the tourism industry in Dubai, the sheikh established the necessity to create a new aviation company. The task was committed to Maurice Flanagan, an English director of the Dubai National Air Travel, who received \$10 million in 1985 from the ruler in order to start the society and hire staff.⁵¹⁰ The company took shape under the name Emirates, hoping that it might become the flagship airline of the entire federation. It started with a four-plane fleet, serving different routes between the Middle East and South Asia.⁵¹¹ It was estimated that by 1990 Emirates would have connected twenty-one cities between them.⁵¹² One year later the Sheikh decided to invest his money for the implementation of the company's

⁵⁰⁸ The Guardian, Burj Khalifa – a bleak symbol of Dubai's era of bling, <http://www.theguardian.com/culture/2010/jan/10/burj-khalifa-dubai-skyscraper-architecture> retrieved 22.01.2014

⁵⁰⁹ J. Krane, *City of gold*, cit., p. 105

⁵¹⁰ *Ivi*, p. 106

⁵¹¹ A. Syed, *Dubai gilded cage*, cit., p. 21

⁵¹² *Ibidem*.

fleet and he bought seven long-range jets: a confident choice supported by the increasing number of Emirates passengers, which in 1992 reached 1.5 million.⁵¹³ The open-sky policy put into effect by the government of Dubai had been extremely useful for encouraging further development in the aviation industry: Emirates airline was the perfect example of the advantages entailed by this strategy.⁵¹⁴ Other external and unpredictable circumstances gave additional boost to the company. During the Gulf War, Emirates was the only airline that continued to serve its routes in the Middle Eastern region, since many other competitors decided to temporarily suspend their flights in that area. However, this positive trend was interrupted in 2001, when terrorists attacked the United States, crashing airplanes into some of the symbolic and strategic point of the country⁵¹⁵. The international airline sector was paralyzed by these tragic events. To make the situation worse, Emirates had just negotiated one the biggest deal of its career, purchasing fifty-eight aircraft for \$15 billion.⁵¹⁶ It was determined a \$12 billion loss for the whole aviation industry, due to the collapse in flights demand: people were scared to travel by airplane.⁵¹⁷ However, even in adverse conditions, Emirates demonstrated its solidity as an independent and accomplished business entity. Despite the stalemate of the sector in the aftermath of 9/11 attacks, the sheikh continued his implementation plans buying new aircrafts, included ten Superjumbos to cover long-distance routes, such as Dubai-New York.⁵¹⁸ Today Emirates airline serves more than 130 locations in six continents, with a quality fleet that is in continuous expansion, providing also high-standard services for their passengers.⁵¹⁹ The success of this company was and continues to be outstanding,

⁵¹³ J. Krane, *City of gold*, cit., p. 108

⁵¹⁴ W. Hazbu, *Beaches, Ruins, Resorts*, cit., p. 206

⁵¹⁵ J. Krane, *City of gold*, cit., p. 108

⁵¹⁶ *Ibidem*.

⁵¹⁷ *Ibidem*.

⁵¹⁸ *Ivi*, p. 109

⁵¹⁹ Emirates, Destinations and offers,

http://www.emirates.com/it/italian/destinations_offers/destinations_and_offers.aspx retrieved 29.10.2013

considering the fact that in two decades Emirates managed to reach the world's biggest airlines, overtaking the international traffic of American and United Airlines. Without Emirates, Dubai could not developed into a vacation destination renowned worldwide: the city is tightly dependent on its national airline, which has become an international brand.

Considering the fact that Dubai's air traffic was increasing, the airport structure itself had to be reevaluated. According to the sheikh's view, Dubai International Airport would become a fundamental structure with efficient tourist infrastructures and a wide variety of amenities for passengers. Extensive additions and upgrades took place over the years: in 1998 the original terminal was renamed Terminal 2 and a new building, Sheikh Rashid Terminal, was opened.⁵²⁰ Inside it, the Dubai Duty Free Company arranged many facilities and services specifically for passengers: business centres, post office, hotels, prayer room, internet services, etc.⁵²¹ Following the general trend of Dubai's tourism industry, a giant mall was taking shape inside the airport, taking advantage of the famous free trade zone policy. The sale activities of the duty free port were so lucrative that in 2012 they reached \$1,6 million, 10% more than the previous year.⁵²² Back in 2004, the construction of a third terminal started, but it became officially operative only in 2008: it has the largest floor space in the world, with its 1,185 million m².⁵²³ Currently DXB has three terminals: Terminal 1 and 3, which are connected by a transit area, are provided for international flights, instead Terminal 2 is assigned for passengers that have to fly within the sub-continent.⁵²⁴ Al Majalis VIP Pavilion and Cargo Mega Terminal are other two

⁵²⁰ C. Davidson, *Dubai: vulnerability of success*, cit., p. 111

⁵²¹ A. Syed, *Dubai gilded cage*, cit., p. 22

⁵²² Dubai Airports, *Yearbook 2012*, Dubai, Media Centre, 2012, p.11

⁵²³ *Ibidem*.

⁵²⁴ Dubai International, Airport services,

<http://www.dubaiairport.com/en/passengers/AirportServices/Pages/home.aspx> retrieved 29.10.2013

important facilities of the airport.⁵²⁵ The former is an exclusive area providing a VIP passenger service and where it is also hosted the government airline – Dubai Air Wing, created in 2008.⁵²⁶ The latter, instead, is one of the biggest cargo hub of the world, where any kind of good arrive or is despatched, especially from/to Asia and Africa. In terms of international passenger numbers, DXB is the second airport in the world, ahead of Hong Kong International and Paris’ Charles De Gaulle.⁵²⁷ The total number of passengers in 2012 amounted to 57,684,550, with a 13.2% increase if compared to the previous year.⁵²⁸ The forecasts for the next years are absolutely positive, expecting a continuous growth of traffic.

Considering the huge number of connections taking place in DXB, a second airport was opened in 2010, Dubai World Central (DWC) also known as Al Maktoum International.⁵²⁹ Located in the Jebel Ali district, it started as a cargo hub, but in 2012 it was implemented for general and business aviation.⁵³⁰ The structure is still under expansion and once completed it will be the world’s largest airport from the structural point of view. In 2011, the Sheikh launched the Strategic Plan 2020, a ten-year guide where all the operations for the development and the improvement of both the airports and their services are outlined.⁵³¹

A good accessibility is one of the most important aspect of the tourism industry; therefore, an advanced transportation system is fundamental. With organised and sophisticated infrastructures, assisted by the excellent service of Emirate airline, Dubai confirmed itself

⁵²⁵ *Ibidem.*

⁵²⁶ Dubai Airports, *Yearbook 2012*, cit., p. 13

⁵²⁷ *Ibidem.*

⁵²⁸ *Ibidem.*

⁵²⁹ Dubai World Central, Masterplan, <http://www.dwc.ae/project-details/> retrieved 29.10.2013

⁵³⁰ *Ibidem.*

⁵³¹ Dubai Airports, *Yearbook 2012*, cit., p. 15

not only as one of the main regional transport hub, but also as a global node through which flows of people, goods and capitals pass.

CONCLUSION

Newspapers, magazines, travel brochures, websites and TV programmes depict Dubai as “the place to be” both for establishing a business and for leisure purposes. The process of diversification undertaken by the emirate in the last decades has shaped a modern and almost futuristic urban structure with flourishing economic sectors and a strategic geographical position. Quite an impressive and rapid development considering that in the ancient time, Dubai was a fishing settlement on the coast of the Persian Gulf, surrounded by the desert and seawater. This remarkable evolution clashes with the fact that Dubai and the whole federation are the less democratic places in the world. According to a survey on the level of freedom, taken in 2006 by the Economist Intelligence Unit, the UAE ranked 150th out of 167 countries.⁵³² We are facing a paradoxical situation. First of all, Dubai has become a multi-ethnic society with almost 90% of the entire population represented by non-UAE citizens. Western expatriates, who have been raised in democratic and liberal countries, are a large part of the foreign community. Despite the monarchical form of government, a great part of foreigners can maintain and enjoy a western consumerist life-style, which is very appreciated by wealthy UAE nationals too. Women are encouraged to work, education and enterprise are supported by the government itself and Westerners are even allowed to drink alcohol. These social liberties are a sort of compromise given the absence of political freedom. Secondly, it was thanks to the decisions taken by the ruling sheikhs that Dubai has evolved in a profit-making

⁵³² J. Krane, *City of Gold*, p. 271

location. The stability of power granted during the whole history of the sheikhdom has been an exception, if compared to the neighbouring Middle Eastern countries. This factor has had a great influence in attracting investments, business and people. Moreover, the successful policies followed by the rulers transformed the sheikhs themselves in a sort of heroes, who have been the direct responsible for the wealth of their people. Dubai's kind of monarchy is not perceived as oppressive or dictatorial, but as a method to keep everything under control for an efficient development.

Seen as a global node for goods, capitals and people, Dubai's economy highly benefited from the economic freedoms fostered by the government, especially from the free trade zones. However, such policies entailed a series of negative aspects, mainly related to the low level of scrutiny in the financial transactions that take place inside the emirate. As stated by J. Krane: "Its whole economic function was aimed at evading the rules and regulations of other countries in the region".⁵³³ That is the reason why Dubai has become a convenient location for smuggling, money laundry, corruption and even terrorism.

Smuggling is not something new for the emirate, which used to trade illicitly in its past, especially with India and Iran. By the early 1970s, Dubai was the third largest buyer of gold in the global market, the majority of which was secretly re-exported abroad.⁵³⁴ In more recent times, besides some precious goods such as gold and diamonds, other products are trafficked in the shady tax-free port of the Gulf. Dubai has become the supply base for mercenaries who trade arms and nuclear weapons. Afghani and Iranian opium dealers launder their profits by purchasing properties in the emirate, transforming their dirty money in legitimate income.⁵³⁵ The wealthy environment of Dubai attracts also organised crime, especially from Eastern Europe, who committed several murders and

⁵³³ *Ivi*, p. 73

⁵³⁴ A. Sayd, *Dubai: gilded cage*, cit., p. 16

⁵³⁵ J. Krane, *City of gold*, cit., p. 160

robberies in the most luxurious locations of the emirate. Jewel thefts are very common inside the malls and the exclusive suites of the most famous hotels.⁵³⁶ This outlaw behaviour has become common among the members of the federal institutions. Several cases of corruption, especially bribery and fraud, have been placed under investigation by the government.⁵³⁷

As a member of the Arab community, Dubai has also been accused of hosting Al-Qaeda cells inside its borders. Terrorists could take advantage of the emirate as a logistic centre for their actions because it has a variety of opportunities: it is a business centre provided with plenty of connections flights and where there is little attention for illegal transactions. At the same time, instead, Dubai represents a possible target for terrorist attacks, since its western consumerism detached the emirate from the Muslim traditions. Furthermore, 1,300 U.S. troops are settled inside the federation borders, since the country is used as a spy centre of the Middle East, putting Dubai and the rest of the emirates in an even more dangerous position.⁵³⁸ Dubai is a vulnerable place for terrorism, as demonstrated by several bombings attacks and plane hijackings that took places in the last decades. However, some think that the workers community represents a big threat for the country: labourers from Pakistan, Iran and India could be possible cells of fundamentalist groups. Other, instead, believe that they would not organise terrorist attacks, in order not to lose their jobs. Another theory implies that Dubai does not represent a target for terrorism because it is too important for smuggling and other illicit activities. An attack would strengthen the security measures and the city would become more supervised, removing the benefits that such location offers.

⁵³⁶ *Ivi*, p. 280

⁵³⁷ *Ivi*, p. 281

⁵³⁸ *Ibidem*.

The excessive atmosphere of Dubai is criticized also from the environmental point of view. Due to its tropical climate, air conditioning is fundamental for living especially in the warmest months of the year, but at the same time, it produces a large waste of energy. This is even bigger if we think about the refrigeration systems used to keep a low temperature in the malls' areas where the ski slope and the ice rink are placed. Another big environmental concern is water. The big plants for desalination use large quantity of fossil fuels, producing high level of pollution. The Worldwide Fund for Nature's Living Planet Report of 2008 highlighted that the whole population of the UAE consume more electricity and water and produce more waste per capita than anyone in the world.⁵³⁹ In order to find a solution to this serious situation, the federal government launched a series of sustainable master plans, hoping to increase people's environmental awareness. Many infrastructural projects were disapproved as well, because it was not taken into account the possible damages to the natural landscape of Dubai. This was the case of the artificial island built in the creek to the detriment of coral reefs and its marine life.

The boost of the construction sector entailed a series of other problems for Dubai, mainly concerning its social fabric. The high demographic imbalance between locals and migrants seems unstoppable and this situation goes against the native population. The government has been able to increase its wealth preserving a sort of social elite for UAE citizens, who can enjoy a variety of special benefits (e.g. free housing, free education and healthcare, possibility to found jobs within the government). This strategy was possible due to the small size of the local community. The growth of the foreign population increase the possibilities of mixed marriages and therefore endangers the federal benefits for the natives. To safeguard this situation, in 2002 it was established a special fund for

⁵³⁹ *Ivi*, p. 223

local men who decided to marry a national bride.⁵⁴⁰ In addition, a national woman who is married to an expatriate automatically gives up to her nationality and neither their children would be UAE citizens. These safeguarding policies towards the national community have also risen some concerns: many locals employed in the government institutions use to work less than their daily schedule because they receive federal benefits in any case. At the same time, many others are voluntary unemployed, since they can not find a job, due to the high competition with the more skilled expatriate community. By the mid-1990s, this sort of inactivity by the local population worried the sheikh, who tried to incite his citizens to find a job and attend an education programme in order to acquire more proficiency.⁵⁴¹ Nowadays the situation does not seem better, but there is a slight improvement on the number of graduate citizens, many of whom are women.

Among the several problems of Dubai's social context, probably, the most renowned issue concerns the conditions of hundreds of men who works behind the splendour of the city. These immigrants, mainly men from the Asian continent, are lower-level workers, such as construction labourers, drivers, cooks and cleaners, butchers, electricians and mechanics, bodyguards, etc. They usually lives in the poorest and farthest districts of the emirate, often sharing a small room with other five or six colleagues in a residence complex. These structure are known as "labour camps" and in Al Muhaisnah 2 is located the biggest one of Dubai.⁵⁴² Since every expatriate is required to have a sponsor in order to work and live in the emirate, the labourer is strictly dependent to his employer, who often took advantage of his position, exploiting the worker. The lack of proper security measures and exhausting working shifts were the cause of several deaths among the construction labourers, who have to work at high altitude in order to build the iconic

⁵⁴⁰ C. Davidson, *Dubai: vulnerability of success*, cit., p. 152

⁵⁴¹ Ivi, p. 179

⁵⁴² J. Krane, *City of gold*, cit., p. 200

skyscrapers that has become the symbols of Dubai. These cases attracted the attentions of the media and the public opinion. Through the reports of several institutions, such as Amnesty International, that attested the violation of human rights, many labour camps were closed or renovated. Even if the government launched a series of projects to enhance the living conditions of the hundreds of workers who are settled in Dubai, the situation remains complicated, since there is plenty of labourers who are hold illegally in the emirate.

A high number of women, instead, are involved in human trafficking for prostitution. They sign false contracts to work as hairdressers, waiters or maids, but once they arrive in Dubai their passports are seized and they are forced to work in the one of the warehouses of the city. Actually, prostitution is not legal in the entire federation, but there is lack of control for this matter. The government prefers to launch shelters for the victims than prosecuting the responsible of the crime. Prostitution is a source of wealth for the country: it enlivens the nightlife of Dubai, attracting tourists and the male members of the expatriate community, who represent the great majority of the population. In 2006, the UAE passed the first anti-trafficking law of the Middle East in order to defeat this terrible phenomenon.⁵⁴³ However, prostitution is still a very common practice in Dubai that does not seem to diminish at all.

As we can understand, the rapid development of Dubai has caused a series of consistent challenges that the emirate has to overcome in order to ensure itself a stable and safe environment. Despite the remarkable results accomplished in the economic sectors, the real estate crisis has demonstrated the fragility of the system. Nevertheless, the history of Dubai shows the constant ability of the government to find alternative and

⁵⁴³ *Ivi*, p. 215

efficient paths every time the economic situation has been staggering. It started with the crisis of the pearling activity, followed by the difficulty in finding oil fields and the more recent shortage of hydrocarbon resources. Dubai has never set its trading activity aside, which was and still represents its main economic pillar. In the decades, the emirate was able to support the commercial sector with other complementary and coordinated projects. The process of economic diversification has begun in the 1970s, giving attention to the infrastructure and the industry sectors. Then, the business activities were encouraged to settle in Dubai thanks to the creation and the promotion of special areas regulated according to a free trade zone policy. Attracting investments and capitals from all over the world, Dubai has become an important destination for people as well. The government could do nothing but taking advantage from this situation and this is how the real estate sector and the tourism industry boosted in the first decade of the 21st century. In an anomalous way compared to the majority of other Middle Eastern countries, the emirate of Dubai could not rely upon a precious source of wealth such as oil. The hydrocarbon reserves of the country continue to decrease and according to the data published by the Dubai Statistics Centre, in 2012 oil and gas represented around 2% of the total GDP.⁵⁴⁴ Some believe that in a couple of years the emirate's oil fields will be finally drained. Of course, the problem of oil depletion is a concern that is worrying the entire global community. The oil producing countries have to find other sectors for their economic sustain, in order to be less dependent on such an uncertain resource. Dubai, in this case, led the way towards alternative non-oil sectors. The question now is to understand the possible future development for this country. We have to understand if the economic diversification process could be an efficient solution in a long-term perspective,

⁵⁴⁴ Dubai Statistics Centre, *Gross Domestic Product at Constant Prices- Emirate of Dubai*, Dubai, Government of Dubai, 2013, p.1

or if it represent a great success limited to a short period of time. Some believe that the real estate crisis of 2008 is the clear example of the inadequacy of the economic structure of Dubai. It was thanks to the funds of the oil-rich Abu Dhabi that Dubai was bailed out, testifying how the emirate was still indirectly dependent on oil reserves. Other instead demonstrate to be confident in the Dubai model, since it has adopted a multidimensional approach, which offers more than one source of wealth, especially in case of economic crisis. However, the certain thing is that Dubai, since its origins, has managed to evolve into a multi-ethnic centre, deeply integrated in the global community and it is one of the most representative examples of the globalization.

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⁵⁴⁵ David Burdeny, Dubai II, UAE (2009), <http://www.davidburdeny.com/> retrieved 29.01.2014

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