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The Dubai Model
An outline of key components of the Development process in Dubai.

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Abstract
While the economic development of Dubai constitutes an important deviant case it has hardly received any scientific coverage. The studies found, adhere to simplified mono-causality over and against which a multi-causal explanatory model is sought – The Dubai Model. By interpreting existing models e.g. the Anglo-Saxon, the Continental European Model and the East Asian Model, ideal-type variables are identified that constitute a more complex approach, which capture the unique dynamic of this case. Through field-work, novel qualitative data flesh out this model, which constitutes the outset for a wider comparative approach between countries – especially as regards Middle Eastern development. The case of Dubai therefore demonstrates that it is possible to bridge existing models suggesting new methods in studying development in a global context, internal/external linkages, but also the importance of historical context or "opportunism" for the success of such an effort.

Introduction
The developmental process as it unfolds in Dubai has hardly been studied or analyzed by academics; indeed it has only received cursory reports in the news media, news oriented magazines and business literature, wherefore only fragmented information is available.[1] Recent exceptions are, a number of social science-based but historically oriented academic publications e.g. (Al-Sayegh 1998; Al-Abed and

[1] An earlier draft of this study was presented at the *Gulf Conference* at University of Exeter, UK, July 2007, which provided me with numerous helpful comments. I am grateful to the Danish Social Science Research Council for a generous research grant, which has financed my stays in Dubai and reduced my teaching load for a period. I am furthermore grateful to the Gulf Research Center in Dubai for hosting me during several periods of field work. Finally, thanks to Christine Pihlkjær Jensen who served as research assistant on this project.

Hellyer 2001; Davidson 2005; Davidson 2007; Hvidt 2007). Only one study has, in extension of this circumstance, seriously sought to place Dubai in a broader developmental framework - Sampler and Eigner's book *From Sand to Silicon* published in 2003. However, by applying the so-called 'strategic trajectory model' to the case of Dubai they reduce their focus to the management side of the development process. In extension of this, their aim is far too narrow to provide an explanation of the development process in Dubai.[2]

But how may we then conceive of the apparent developmental success in this country? Is it e.g. oil wealth, its favourable geo-strategic location, an eager and able business class, inspired leadership, plentiful investments or pure luck? While there will always be a certain element of chance in developmental processes this article argues that Dubai ought to be understood as the outcome of conscious policies conducted by a 'late-late' developing state in order to 'catch-up' with the developed world.[3] It is, furthermore, our understanding that the development of Dubai must be seen as an outcome of a broad range of economic, institutional, political and cultural factors that function in interaction. In other words: *development lends itself to multi-causal explanations*. This article therefore seeks to move beyond the 'strategic trajectory model' as an explanation of the development in Dubai.

But what is the relevance of Dubai as a case study? Dubai seems unstoppable. It continues to take the world by surprise with its iconic buildings, imaginative events and bold business initiatives, which leaves no doubt as to its intentions of becoming one of the richest communities in the world. Despite the daring and risky projects, Dubai has earned itself a track record of making every project a success, no matter how ambitiously it was conceived. A GDP pr. capita of US$ 31.140 and a world record growth-rate of 13.4% for the period 2000-2005, tell the story of a booming economy.[4]

At present, construction continues to change the cityscape as high rise buildings, artificial islands, canals, thematic cities, new collective transportation systems, shopping malls, resorts, flyovers and highways turn the desert into a place for luxury living. Here, office space and leisure time activities for the international executive class and wealthy visitors are found in abundance.[5]

But it is not only the skyline of the city that is changing - behind the gleaming facades significant changes take place in regard to the economic foundation of the Emirate. In the earlier stages of its developmental process the government invested exclusively in infrastructure and business, or service activities within their own emirate. Recently, however, Dubai has made a range of high profile acquisitions of

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[2] This study holds development and especially economic development as the dependent variable.
[3] 'Late-late' development defines states which have entered the development process after the second world war (Kohli 2004.2). Late-late developers usually follows a development pattern which is less spontaneous and more state led than those prior see e.g. (Hirschman 1958 [1969].7-11; Gerschenkron 1966.7ff; Amsden 1989.3; Szirmai 2005.83)
[4] (TEO 2007.18-19). This growth rate is the highest in the world (Fox, Mourtada-Sabbah et al. 2006.4).
[5] IMF estimates that projects worth a total of $ 200 billion were planned or in the making in 2006 (MEED 2006.42-43s).

internationally recognized firms. These acquisitions augment the strengths and skills accumulated in Dubai over the years, and imply that key government owned businesses and service providers are now taking their business to the global level in order to secure high and steady returns in the future.

Dubai, a city state of approximately 1.2 million people, which less than 50 years ago was an insignificant and poverty-ridden settlement of 30.000 people, is expanding its global outreach and is now competing with the world's biggest players in selected businesses such as tourism, logistics, port operations, financial services and construction. Given the significant developmental successes experienced in Dubai it is surprising that so little is known about it, suggesting a fundamental relevance of it as a case study.

This study attempts to fill this gap by presenting data, analyzing and explaining the development model applied in Dubai. More precisely it seeks an identifiable (economic) model, which underlies and explains the undoubted economic success of Dubai.

This paper advances the hypothesis that the manner in which Dubai has planned and implemented its development activities - especially since 1990 - constitutes a unique model. We shall term this: 'the Dubai model.' The aim is to outline the basic parameters of the Dubai model and discuss it in relation to some general development models. This is seen as the first step in the process of testing the above hypothesis. This paper therefore has implications for further research, pointing at a broad study of developmental models cross countries in general.

In its present form this study therefore belongs to the category of 'single country comparative studies' (Peters 1998.62ff). Dubai's development record is unique, not least in a Middle Eastern setting. Thus, from a methodological point of view, Dubai must be considered a 'deviant case.'[6] Dubai is however a critical case to study, exactly because of this deviancy in its approach to development. As such, documenting and analyzing the development model applied in Dubai provides possibilities for expanding our understanding of how development could proceed within the political and cultural realm of the Middle Eastern region in general.

In extension of this three questions must be seen as paramount: i) What is a developmental model? ii) What constitutes the Dubai Model? iii) And, which similarities and differences does the Dubai model hold in relation to the most general developmental models?[7] The subsequent paper will be structured according to these issues.

Data for the analyses comes from both written sources as well as interviews. It should be noted, however, that while more and more data is produced and made available by the authorities in Dubai, there is still a significant lack in regard to economic, social and political issues. Basic data e.g. on income from oil, earnings

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[6] Dubai join ranks with Hong Kong and Singapore, which are considered atypical in the development literature, due to their status as entrepôts and city state (Papanek 1988.27; Amsden 1989.4; Haggard 1990.27; Park 2000.144).

[7] A central question, which is left unanswered in this study, is the significance the Dubai model on the development policies and strategies of countries in the Middle Eastern region.

from public owned firms, size of the state budget, ownership structures and policy oriented white papers etc. are either not produced or restricted from public access, which makes it very difficult to document key variables in the model. Thus, the research for this paper includes stays in Dubai in January of 2005 and in November and December of 2006. All together, 46 interviews have been conducted with decision makers, public employees, private sector operators, scholars and a few journalists. While every care has been taken to secure the reliability and validity in the interview process, and not least in the conclusions drawn from the material, this paper provides qualitative rather than quantitative evidence concerning some of the issues in question.

What is a 'developmental model'?

For the purpose of this paper an in-depth review of developmental models has been undertaken. Here, 16 models or sub-models were identified:[8] The Anglo-Saxon model; the Continental European Model; the East Asian model; The Rhine model; the Scandinavian Welfare Model; the East Asian Economic Model; the Korean model; the Singapore model; the Flying Geese model. Indeed, these are only mentions of the most prominent of capitalistic models.

However, only three may be categorized as "general models" namely: The Anglo-Saxon, the Continental European and the East Asian model. The remaining models must be seen as sub-categories within the general models. We will shortly review the content of these since it will allow us make out a comparative basis for the Dubai model. Each one differs markedly on a range of features - not least according to the role played by the state in the management of society.

The Anglo-Saxon approach - with the United Kingdom, Ireland and the United States of America as its prime exponents - developed with the First Industrial Revolution (beginning approximately 1750 in the UK) and the birth of capitalism. It is strongly neo-liberal in its outlook and promotes such policies both internally and externally. Thus, it is prominent within the international financial development institutions, which it commands e.g. the Internationals Monetary Fund and the World Bank.[9] According to Kidd and Richter (2006.7), the Anglo-Saxon model is based upon three fundamental features: Property rights, Protestantism (work ethic), and the 'Celebration of the individual.' In this model, the state is ideally passive, and lets the market regulate basic decisions related to economic and social organization. The state only intervenes in cases where a conflict arises between the profitability of the individual and the firms as a regulator e.g. in relation to breaking up monopolies

[8] For the purpose of this article the vast literature on development models was collected and reviewed. In this process approximately 16 models or sub-models were identified. Because this study only consideres capitalist development models, the various socialist models were not included in the review. As will become clear in the subsequent paragraphs the concept of "a model" is however vaguely defined.

[9] See e.g. Hvidt (2004.78ff) for an overview of the ideological background of these organisations.

(Hutton 1995.22; Srinivasan 2006.30). Rather than using (government controlled) banks, industrial development is usually financed through the stock-market, resulting in a veneration of short term shareholder-views (Albert 1994.11ff).

The Continental European Model was formed during the Second Industrial Revolution, which took place in Europe from the 1880's and on. It is termed a 'Social market economy' or a ´Communitarian business system´ signifying emphasis upon the government in economic and social affairs (Choi 2006). The state therefore intervenes in the economy using high taxes, regulated labour markets, large government transfers and public welfare services (Munkhammar 2006.180). In other words, the role of the state is not only restricted to the classical undertakings of building infrastructure, pursuing wars and providing adequate legislation for the functioning of the free market, as is the case in the Anglo-Saxon model. Trade unions and general social awareness etc. has placed the state in a role where it is expected to assume further responsibilities, within society, e.g. as regard social security, education, health care, pension funds etc. A core principle in this model is that there should be only one provider of welfare services and social security: namely the state (Munkhammar 2006.182). As pointed out by Albert, (1994.124) the European model is built upon the shared values of an egalitarian society, where the interest of the group takes precedent over narrow individual interests.

The East Asian Model is more recent - it dates back to the 1920s, where Japan commenced its development-drive to catch up to the first world. It has, however, spread over East Asia since the 1950s (Kerbo and Slagter 2000.125). It builds upon significant government interventions in the economy. As Jeon (1995.71) phrases it: the model is based on a 'pragmatic mix of state guidance with private initiatives', and point to Park Chung Hee's "guided capitalism," Chiang Ching-kou's "planned free economy," and Lee Kuan Yew's "half socialist half capitalist" principles of economic development. The model encompasses two key features: "(a) high investment rates stemming mainly from foreign direct investment (FDI), and (b) an outward orientation emphasizing labor intensive manufactured exports. Multinational corporations often play a dominant role in both aspects - supplying FDI and mass producing goods for the export market…" (Looney 2003). Though the ideologies and economic systems of the East Asian countries vary considerably, they share certain basic features and problems, which cut across the political divide. These include a "common Confucian heritage, a historical legacy of strong and economically active states, traditions of social and political hierarchy and strong nationalist sentiments underpinned by cultural homogeneity and reinforced by external threats" (White and Wade 1988.24). These factors have shaped the special form of state intervention in the Asian economies, and indeed also its intensity. This intervention is characterised by a social pact between government and big business (Kerbo and Slagter 2000.124-125; Bigsten 2005.596).

The Asian model has become closely associated with the developmental state paradigm, which is characterised both by an active and interventive role of the government in development. Such states furthermore hold a strong developmental agenda which possesses both clear visions and the will to undertake the 'states transformative role.' The main motivating force is the deeply felt urge to 'catch-up' with their colonial masters and more generally the developed world.[10] As will become clear, there are a number of both differences and similarities between each of these models and the Dubai model.

Defining a developmental model

Our review of current developmental models highlights five important characteristics. Firstly, each model is empirical and descriptive. Also it groups a number of developmental features – both positive and negative - which characterize the development process of the country or region that has given name to the model. Secondly, the models originate in different historical epochs. As such they reflect the problems and opportunities faced by the individual country at that time.[11] Thirdly, models vary according to the developmental stage, which they address. The policies underlying e.g. the Scandinavian welfare model were introduced in a post WWII setting where the economy was relatively advanced before being initiated. The Scandinavian model thus emphasizes redistribution of already acquired income, while the Asian model focussed upon the acceleration of growth in order to 'catch-up' with the developed world. Fourthly, and partly as a consequence of the above, the various models focus on different elements of the growth process: some focus upon industrialization, others on the role of foreign direct investments, while others again focus more narrowly upon political, ideological or institutional approaches to development e.g. democracy. Finally, a further complication relates to the ambiguity of the concept of 'development.' In a review of this concept, Martinussen (1997.35ff) argues that neither in the present nor in the 1950's has there ever been a general consensus on what constitutes development. We may exemplify this by reference to Riggs who, in the mid-1980s, identified a total of 72 different definitions of the concept of development (Riggs 1984). This ambiguity has resulted in different conceptions and theories related to development, not least as regard the focus within professional and academic fields.[12] As such developmental models are bound to encompass the same ambiguities.

It may therefore be concluded that there is no agreement as regards what constitutes 'a development model.' Models are generally perceived as 'operational' and the concept is therefore applied in a 'commonsense' understanding. Thus, in our approach models are empirical ideal-types - they are operational constructions

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[10] (Evans 1995.6). For further insight into the concept of developmental states see also (White and Wade 1988; Lauridsen 1995; White 1998; Cumings 1999; Johnson 1999; Woo-Cumings 1999; Underhill and Zhang 2005).
[11] E.g. security issues, availability of technological know how, etc.
[12] E.g. development as economic growth is investigated by economists, sustainability by biologist and development as history by anthropologists. In this paper development is defined as: "a multidimensional process involving major changes in social structures, popular attitudes, and national institutions, as well as the acceleration of economic growth, the reduction of inequality, and the eradication of poverty (Todaro and Smith 2003.17).

intended to provide analysis of a particular process of development in the real world. Models therefore allow for comparison between various developments.[13]

As pointed out by Chan (2001.1137) models represent 'stylized facts' - they are caricatures he says, which "accentuate some aspects of reality while giving short shrift to others."[14] The implication being that some aspects of a developmental process are given more weight than 'reality' would suggest and other aspects less so. In this paper, the institutional-, and economic strategy-issues will be placed in focus, since these factors are central to the above conception of a model. Furthermore, focus will be placed upon the endogenous factors i.e. all the factors originating from within the country that affect the development pattern. Thus, we may, for the purpose of this paper, define a developmental model as:

> An idealised, constructed typology of choices, decisions, policies and strategies implemented within a country in order to bring about economic and social development.

This definition emphasizes the active policy-making, decision-making and implementation undertaken by the leadership of a country or individual actors. Also, it includes cultural factors such as general attitudes, religious convictions, cultural heritage, political aims, path dependent development tracks etc., to the degree that these factors translate into actual polices, decisions and strategies.

The Dubai model outlined

A developmental model does not emerge from one day to the other, but over time and as the outcome of a broad range of contextual features. These features involve historical-, external-, location/size-, cultural-, institutional-, and political factors.[15] While this study recognizes the importance of these, it is, however, beyond the scope of this paper to describe and analyze each and every one, including their influence on the proposed model.[16]

It is important to note, however, that the current development-effort in Dubai must be viewed as a continuation of events that took place in the early part of the 20th century. At this point in time the ruler of Dubai chose to provide a range of incentives to the Persian based merchant class to persuade them to relocate to Dubai. This 'branching point' or 'critical juncture' instituted an extremely pro-business environment, an openness toward foreigners in business and in society in general -

[13] For an excellent discussion of analytical and methodological questions related to developmental models see (White 1996).
[14] See also Baldwin (1996.29) who point out that the act of typologizing always will involve a "decision that some features are important in a certain respect and others are not."
[15] This view is shared by writers within the research tradition termed 'historical institutionalism" see (Hall and Taylor 1996.936ff; Peters 1999.Chapter 4).
[16] See e.g. (Peck 1986; Al-Abed and Hellyer 2001; Davidson 2005; MENA 2005.1181ff; Hvidt 2007).

not least a strong belief in the proactive role of the 'state' in the economy (Hvidt 2007.559). In our understanding nine systemic features make up the Dubai model.

The systemic features of the Dubai Model are:
- Government led development (ruler led)
- Fast decision making and 'fast track' development
- Flexible labour force
- Bypass of industrialization – creation of a service economy
- Internationalization of service provision
- Creation of investments opportunities
- Supply generated demand ('first mover')
- Market positioning via branding
- Development in cooperation with world class partners

Government led development

Common wisdom usually holds that state led development in capitalistic societies has its outset in the absence of a class of private entrepreneurs or else that this class is too weak or fragmented to take a leading role in development (Owen and Pamuk 1998.99ff; Todaro and Smith 2006.767ff). This, however, does not resemble the situation in Dubai, which is home to a large and wealthy merchant-class that has transformed traditional family owned pearling or trading houses into veritable business conglomerates.[17] One notable example would be the Al-Futtaim group, which is developing a part of Dubai Festival city at an estimated 12 billion dollars of its own money (Khaleej Times 2007).

While being financially strong, the class of private entrepreneurs is weak in a political sense, given its relationship to the ruler. During the 1940s and 1950s the merchant class in Dubai was co-opted into the current neo-patrimonial state structure, as argued by Hvidt (2007.565), and: "which implies that the regime is organized around the ruler as an individual, maintaining other members of the elite in a relationship of personal dependence on his grace and good favour" (Herb 1999.15). The neo-patrimonial governance style naturally allows for significant state dirigism.[18]

In addition, the institutional structure in Dubai is highly centralized.[19] Professor Abdullahkhaleq Abdullah suggests that one should think of the institutional structure in Dubai as a two tier system. One tier consist of the traditional

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[17] (EIU 2006; Intv. 25 2006; Davidson 2007).

[18] According to neo-patrimonialism see also (Hudson 1977; Weber 1978.chapter 10; Fox, Mourtada-Sabbah et al. 2006; Davidson 2007).

[19] Institutions might be defined as "the formal or informal procedures, routines, norms and conventions embedded in the organizational structure of the polity or political economy" (Hall and Taylor 1996.938). One must notice that the institutional structure in Dubai is that is not static. It has changed considerably over time and even within the last couple of years in response to the fast moving development process. Second, the institutional structure, on a more formal note, includes the federal level, which is becoming more influential in several aspects of society, however, not yet in the economic sphere. This study concentrates on the emirate level, since economic policies are basically decided here.

government departments e.g. Dubai Municipality and the 18 or 19 authorities such as the Police Department, the Electricity and Water authority, the Roads and Transport authority etc. These are basically the authorities which are involved in the day-to-day running of Dubai.[20] The second tier is a new structure erected during the rule of Sheikh Mohammed. The centrepiece of this is The Executive Office (TEO), which may be thought of as the Ruler's personal office.[21] The TEO manages all new developments and personal initiatives from the Ruler e.g. the mega projects (like the Palm Islands, Dubailand, the new Airport and Dubai Marina), development projects, state owed companies, foreign investments, the free zones, the ports, the investment banks and the special thematic 'cities' like the Health Care City, the Logistic City, the Internet City etc. More than 60 separate entities previously headed these activities. In 2005 and 2006 these entities were combined into two giant holding companies: *The Dubai Holding* and *The Dubai World*.[22] Each of these encompasses its own banks, investments institutions, government run companies, service providers, property development and so forth.

The ruler has placed his four most trusted men at the head of the key economic activities; Mohammed Abdallah Al Qarqawi heads *Dubai Holding*; Sultan Ahmed Bin Sulayem heads *Dubai World* and Mohammad Bin Ali Al Abbar heads the Department of Economic Development and *Emaar* the largest government controlled property development firm.[23] Furthermore, the ruler has placed his brother Sheikh Hamdan as head of Dubai Municipality, which basically puts him in charge of the traditional system.

In other words, the decision making structure in Dubai is extremely centralized. A group of five men control a significant part of the economy in the emirate.[24] While this might not suit democratic ideals, it certainly allows for exceedingly fast decision making - not least a significant coordination of activities and investments. This strong governmental led development is highlighted by Sheikh Mohammed in his inauguration speech for the Dubai Strategic plan.

> The truth is that these exceptional results [during 2000-2005] were made possible mainly by the leadership and initiative of the Government […]. There is no need to detail Governments initiatives. You have experienced

[20] (Intv. 12 2006). We furthermore asked a number of respondents if they recognized this division into a traditional and a modern tier, which most could. One, however, suggested that the two entities were called 'Government Departments' and 'Semi-government departments' (Intv. 31 2006). App. 50.000 is employed in the traditional tier including the staff of the police force (Intv. 31 2006).
[21] According to many of my interviews and own experiences, the TEO is an impressive set-up characterized by highly educated, well paid and very motivated staff made up primarily of Nationals. Their office resides in the Emirates Towers overlooking the city from its offices on 42-44nd floor.
[22] In this way Dubai does exactly what Singapore did, namely to gather all development initiatives into a few holding companies in order to increase control and coordination of their activities (Huff 1995.744).
[23] 30% of *Emaar* is owned by Dubai government and 70% by private funds (EIU 2006.30).
[24] Sheikh Mohammed was by Forbes magazine (2005) listed as the 4th richest man in the world with a personal fortune of US$14 billion. Sheikh Mohammed has made a sizable part of this fortune from business adventures. As such he is a businessman, and thus has a detailed knowledge about the business environment (EIU 2006.15-16).

> them firsthand in many areas including the development and modernisation of public services, institutional frameworks, legislation, regulation, and infrastructure; or through launch of strategic projects such as tourism ventures, Internet and Media Cities, the Dubai International Financial Centre, specialised zones, and other mega projects. These initiatives are the driving forces behind development and the main factor in attracting investors. These initiatives also encouraged the private sector, enhanced its confidence and gave it substantial opportunities. It quickly followed the Government's lead and became a true partner in development (Sheikh Mohammed 2007).

Fast decision making and 'fast track' development.

In decision-making and in implementation, speed has become a trade mark of Dubai.[25] As Sampler and Eigner (2003.24) point out: "the notion of speed is pervasive, from race-horses to fast-track building construction." While it is unclear where this apparent obsession with speed originates from, it is evident that both the deceased Sheikh Rashid and his son - the current ruler Sheikh Mohammed - are fast decision makers and eager to see results. As such the people who surround the ruler have attained the habit of living up to these expectations (Sampler and Eigner 2003.118), and furthermore the governance structure is lean and efficient. As pointed out by one respondent: "Government here is definitely not a slow down. It is a fast moving entity. It is moving faster than the wishes of the people and the private sector. The bureaucracy is a locomotive rather than a drag" (Intv. 12 2006).

In an interview Geoff Taylor, Chief Executive Officer of Dubai Dry Dock explains how fast decision making works on the day-to-day basis.

> "If I want to spend 40 million dollars on an extension of the repair facilities here at the Dry Dock, I will pass the request to the head of Dubai World, Mr. Sulayem who is right under Sheikh Mohammed. Usually I will get an answer within 30 minutes. In England I would have to wait 5-6 month for the request to go through various assessments and boards. Here they are much more forward thinking, dynamic, and a lot more trusty. They trust that the person who runs the businesses generally tends to understand the business, and as such are in the best position to see business opportunities" (Intv. 29 2006).

Obviously, fast decision making is vital for business success, because it allows companies to exploit opportunities in the market whenever they arise and before their competitors enter the market. A second benefit of fast implementation is that the start up of an activity can begin while the excitement is fresh and has not been dulled by a long development stage (Sampler and Eigner 2003.118).

[25] In every interview fast decision making and fast implementation was singled out as a key factor behind the success of Dubai by the respondents.

Anyone who has visited Dubai more than once within a short time span have experienced Dubai's 'fast track' project implementation. Skyscrapers, roads, shopping malls etc. seems to grow out of the desert sand in no time - in a much faster pace than what we are accustomed to in Northern Europe. However, 'fast-track'-development, in combination with the enormous boom in construction, are not without problems. As the Gulf Editor at the magazine MEED, Angus Hindley, points out: while Dubai had the best planning in the Gulf countries until 1998, this ability has been stretched following the explosion in the establishment of free zones and of free-hold property, to a point where any long term planning has gone out the window (Intv. 24 2006).

Flexible labour force

In the UAE - and particularly in Dubai - the ratio between 'nationals' and 'expatriates' is among the most displaced in the world. In the UAE only 20% of the population are nationals (EIU 2006.19), a figure which most observers estimate to be even lower in Dubai (15%). According to the Dubai Strategic Plan, the population in Dubai was 1.197.729 persons in 2005, of which 845.000 made up the workforce. Furthermore, this plan states that there is a need to double the size of the workforce before 2015 to 1.730.000 million (TEO 2007.18 and 23).[26]

From a developmental perspective the high number of expatriates creates a unique situation. Thus, while other countries have to struggle to educate and especially re-educate their population as the country passes through various stages of development, Dubai basically 'purchases' the workforce it needs on the international labour market to suit their current needs: Construction workers and domestic servants from the Indian sub-continent, nurses, doctors and teachers from e.g. Egypt and highly educated persons with qualifications in technical or economic fields from Europe and the US. The fact that labour is brought in and later returned back to its respective homelands allows for enormous flexibility as regards both the size and the qualifications of the workforce.

Furthermore, it allows Dubai to make exceptionally fast strategic changes as new market opportunities arise, or new developmental goals are set. If the leadership wants to establish an airline, an aerospace industry, an Internet City etc. it simply finds and attracts labour with the relevant experience to fulfil the goals. In this way, skills have become a fully tradable commodity.

Finally, the extensive use of expatriate labour both facilitates fast decision making as well as 'fast track' implementation, because it removes bottlenecks in its organisations and in relation to the labour force. Foreign consultants e.g. are brought in to prepare large projects thereby adding resources to the local planning unit.

[26] No statistics reveal the official number of Nationals and of Expatriates in the population. The only data concerning this matter is a significant difference between the number of male and females. In 2006 it was recorded that the population consisted of 911.000 males and 330.000 females (Dubai Municipality 2006.4). The actual size of the population in Dubai varies considerably between various official sources.

The uphold of such a large contingent of expatriate workers is facilitated by government/private entrepreneurs having enough money to pay competitive salaries, and not least the provision of attractive living conditions for white-collar foreign expatriates and their families. In spite of the government aim to include more nationals into the workforce, the proportion of expatriates is expected to rise significantly, if the forecast in the Dubai Strategic Plan of a doubling of the work force is to be achieved before 2015 (EIU 2006.19; TEO 2007.27ff),

Bypass of industrialization – creation of a service economy

The fourth systemic feature of the Dubai model is that Dubai neither previously nor currently intends to develop through industrialization. The route to development followed by most advanced countries has included a shift away from agriculture to non-agricultural activities - more recently from industry to services.[27] Dubai, however, has sought to jump directly from a pearling/trading society to a service society.[28] In this respect Dubai resembles what Haggard (1990.27) terms 'entrepôt growth', which has been characteristic for city-states like Singapore and Hong Kong.[29]

As is clearly spelled out in the development plans (the Vision 2010 published in 2000 and the Dubai Strategic Plan published in 2007), the aim of Dubai is to develop a service or service – knowledge economy.[30] One example of this is the conscious effort to develop a tourist sector. Over the last two decades it has developed out of nothing into a multimillion-dollar business, hosting approximately 5 million visitors a year. The ambitious aim is to host 15 million visitors annually by 2010.[31]

However, it is unlikely that any single project epitomizes the developmental vision held in Dubai better than the establishment of the Dubai International Financial Centre (DIFC). It is a government initiated endeavour in the field of

[27] In his excellent paper Kuznets (1973.248ff) provides an account of structural transformation and the resulting shift from an agricultural to a service society. See also (Mathias 1989.4-5) for a detailed overview over the structural changes normally associated with industrialization. See furthermore (Szirmai 2005.263) for a summary of the key positive effects of industrialization in relation to development.

[28] Industrialization is however not bypassed completely. Dubai Government has over the years invested in a few major industrial undertakings; e.g. Dubai Aluminium company (DUBAL) and Dubai Cable company (DUCAB) both of which exploit the comparative advantages of low energy prices in the region. Besides these there exists a relatively modest privately owned industrial sector of a lighter and smaller scale and geared to production of goods and inputs to the construction sector, which would be costly or inefficient to import (Davidson 2007.39). Industrial production by international firms takes place in the free zones where foreign owned companies are offered significant incentives to establish themselves. Jebel Ali Free Zone hosted more than 5.400 companies from 120 countries in 2006. Of these only 20% (or app. 1000 companies) were involved in manufacturing, while the bulk of the companies (77%) were involved in trading and 3% in service provision (JAFZA 2006.slide 11 and 14).

[29] See also (Amsden 1989.4).

[30] In a knowledge economy the central wealth-creating activity is 'productivity' and 'innovation', which represents the application of knowledge to work (Drucker 1993.7).

[31] For further information concerning the development of the tourist industry see MEED (2004.40ff).

financial services, and includes both a financial exchange and a mercantile exchange.[32] The DIFC is actively competing with Singapore and Qatar to become the financial centre in the entire region between Western Europe and East Asia, and thus in becoming an exchange with the same statue as New York, London and Hong Kong.[33] Fully developed, the DIFC would be the working environment of 70.000 people. (Intv. 1 2005).

If the DIFC becomes a success it will endow Dubai with a range of benefits. Firstly, it will provide work for a large contingent of highly paid knowledge-workers from financial firms all around the globe. Secondly, it and its employees will generate a significant amount of derived business. Thirdly, it will become the channel through which investment, not only to the Middle Eastern region, but also to the former Soviet countries and Africa, passes through. Fourthly, it will place Dubai at the centre of financial transactions and financial solutions, which are suitable for its development e.g. the Sharia- compliant Sukuks (Intv. 30 2006; MEED 2007.54).

In other words, by this strategic development of income generating activities within the services sector, the government of Dubai attains significant forwards and backwards linkages to their own economy, and thus prospects of an increased developmental effect.[34]

Internationalization of service provision

The Dubai Strategic plan calls for a move of existing sectors of strength to new frontiers - both domestically and internationally (TEO 2007.21). With a tiny home market it becomes self-evident that any significant growth in the service industry must include expansion to international markets. As such, Dubai has made a series of high-profile investments abroad over the last years, in everything from aircraft builders to Las Vegas casinos.[35] In 2006 and 2007 Dubai spent US$ 49 billion on such acquisitions (Gulf Times 2007).

One such investment was the purchase of the London based *Peninsular & Oriental Steam Navigation Company* (P&O) for $6.8 billion by *Dubai Ports* in 2006. It thereby acquired the management contracts for 54 ports world wide and became the third largest port operator in the world (Gulf Daily News 2006; Gulf Times

[32] See (DIFC website 2007).

[33] During the summer of 2007 Borse Dubai and the US based technology borse Nasdaq was in a bidding contest to acquire the Scandinavian Stock exchange. Dubai has provided an offer of US$ 5.3 billion (Reuters 2007; Reuters 2007). Bourse of Dubai have furthermore initiated negotiations with the Karachi Stock Exchange in Pakistan (The Peninsula 2007).

[34] See Hirschman (1958 [1969].98ff) and Thirlwall (2006.312ff) concerning the issue of linkages. Hirchman argues that development strategies should aim to emphasize activities which hold the highest potential for linkages, because this will provide the greatest inducement and incentive to other activities to develop. In other words, a country gets more development for their scarce investments if these are concentrated in activities, which have extensive linkages in the economy. In economic terms strong linkages implies higher multiplier effect. Waldner (1999.7) e.g. highlights the importance of linkages in that he includes “the creation of intersectoral and interindustry linkages” in his definition of development.

[35] For further information on foreign investments see e.g. (Routledge 2006.125) and (EIU 2006.30).

2007).[36] *Dubai Ports* benefit from the expertise it has gained over the years operating Port Rashid and Jebel Ali

A second example of the internationalization of services is property development undertaken by the state controlled property development company *Emaar*. It is to develop a complete satellite settlement at the Moqattam Hills outside Cairo in Egypt, estimated to cost 2 billion dollars. Last year *Emaar* won the contract to develop a beach resort - also in Egypt - for 1.7 billion dollars (MEED 2007.19). Furthermore, *Emaar* have announce projects worth US$21 billion in Pakistan (EIU 2006.30). These projects build on the significant expertise in developing and managing large city-like developments gained in Dubai.

A final example of the internationalization of services is the construction of the world largest airport and logistic zone - the 120 million passenger-a-year Dubai World Central Airport, close to the Jebel Ali harbour.[37] This airport will be home port for the Dubai based *Emirates Airlines*, which will be the biggest airline in the world within the next 10 years and after an investment of US$ 50 billion.[38] Through these initiatives Dubai intends to expand its position as 'the' logistic hub of the region and, furthermore, establish itself as one of the three hubs on the international super highway for long distance flights. Fully developed, the airport aims to be the working environment for 750.000 people.[39]

Supply generated demand ('first mover')

All businesses grapple with the question of when to invest. There are two general answers to this question: Either wait until the demand for the good or service one wishes to sell is present, or simply to supply the goods or services and let it generate its own demand.

Many of the more spectacular projects Dubai has become know for follow the latter strategy. It is self-evident that this strategy is far riskier than the first one, but at the same time it offers higher gains if demand actually picks up - these are the so-called 'first mover advantages.'[40]

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[36] However DP World was forced by American politicians to sell it operations in US which included 6 ports and stevedoring operations in 16 locations (The Saudi 2007).

[37] The capacity is equal to the combined amount of Chicago's O'Hare and London's Heathrow today. For further information see (DWC website 2007).

[38] See Emirates Today (2007) for a review of the current plans of investing US$ 50 billion to expand the fleet so that the Emirates will become the biggest carrier in the world.

[39] Building on experience gained in the operation of Dubai International Airport and the Emirates Airline, Dubai in 2006 created Dubai Aerospace Enterprise (DAE) charged with the task of building a global aerospace firm that includes manufacturing, services, airports and education. DAE intends to invest 15 billion dollars to establish its business over the coming years. As one of its first major acquisitions DAE has shown interest in buying factories put up for sale by Airbus. Furthermore DAE is bidding for a majority stake in the company that runs Auckland International Airport, New Zealand's largest air hub, and is also interested in London's Gatwich airport. Earlier in 2007 DAE bought two US based airline service providers for a value of 1.9 billion dollars (AFP 2007).

[40] A first mover advantage may be defined: "A sometimes insurmountable advantage gained by the first significant company to move into a new market" (Marketing terms 2007). .

Classic examples of Dubai's investment policy are found in the building of ports and an airport by the Sheikh Rashid (ruler 1958-1990). Each was built with a significant over capacity, and - as everyone in Dubai loves to convey - against the advice of many experts (Wilson 1999.e.g. 126 and 184). In present time, projects like the Dubai Internet City, the Media City, the Palm Islands, the World, the US$ 45 billion Dubai Land (the worlds largest amusement park), and not least the new airport follow the same formula. Especially, the latter two are very large and risky investments.[41]

Despite the risks involved in such projects it is difficult to point to any real failures that have occurred so far in Dubai's investments. Even the most visionary projects seem to have succeeded: The ports, the air port, the Dry Dock, the Internet city etc have all been expanded several times since they were built. While positive developments in the region, e.g. for trade, have played a factor, good investment planning has also contributed to the success of these projects. As Sampler and Eigner (2003.69) note "the government of Dubai has been both selectively and strategically in the creation of the assets in the economy. They have created assets which step-by-step build on the strengths already achieved."

Secondly, through a considerable control over basic parameters of the economy, projects are made successful, such as in the tourist industry where the government commands a major airline, hotels as well as a public relations network etc. In this sense they may combine all of these factors to make even the most daring investment a success. Thirdly, government controlled firms make the first and most risky investments, not private firms, implying that significant state resources can be activated so as to make a project successful. Finally, each project is implemented using a 'full throttle,' approach, meaning that each project is allocated the resources necessary to make it successful.[42]

Creation of investment opportunities

Since the mid-1980's, leadership in Dubai has focused its attention upon attracting foreign investments. In the development-plan *Vision 2010*, it is explicitly stated that increasing amounts of FDI is a prerequisite for further development (TEO 2000.5). Attaining such investment was to be done by streamlining legislation and actively creating investment opportunities. Investments with complete foreign ownership were introduced when Jebel Ali Free Zone was established in 1986. Also this was expanded through a number of specialized free zones all over Dubai e.g. the Internet City, the Media City and the DIFC.

A second major type of investment opportunity was created within the real estate sector. This was truly innovatory, since there had been a customary and complete restriction on non-nationals owning property in Dubai, but also and elsewhere in UAE. However, in March 2002, Dubai introduced *freehold*

[41] In order to minimize risk however, most of these mega-projects operate with a phased implementation. The second Palm Islands were only considered built after the first were sold out, etc.
[42] One example is the Dubai Aerospace Enterprises which got US$ 15 billion to establish its business at the global market (AFP 2007).

ownership.[43] Under this arrangement full foreign ownership of apartments and houses was granted to individuals. The houses and apartments on the Palm Island were among the first to be sold under this arrangement. Later, sections of the city were allocated to such housing e.g. Dubai Marina, where around 100 residential building blocks are currently being erected.[44] Today (mid-2007) more than 15000 expatriates have bought property (Gulf News 2007).

Thus, Dubai seems to have made the most of the unique situation originating from excess investment capital in the region. As argued by Kanna (2007), investment capital was forthcoming in the 1990s from the Soviet Union, from Indian and various African nations, and not least from Iraq and Iran, because these states were either collapsing or restructuring. In this sense, capital was ‘unmorred’ and could easily be attracted by real estate investment possibilities in Dubai.[45] Other waves of investment rolled in, such as the one that followed from the 9/11 terror attacks in 2001. This had its origin in US government threats to freeze Arab investments in the West, and not least in significant oil prices increases since 2002, which have generated unprecedented economic prosperity in the region.[46] These investments are the primary reasons behind the current construction boom and not least for the impressive growth rates of the Dubai economy (Intv. 28 2006).

Market positioning via branding

As Peter Folton, General Manager at the Grand Hyatt Hotel in Dubai, points out: “I think what is unique about Dubai is, that there has never been a destination that does such a great job of marketing themselves on the international stage, as Dubai.” He adds, whatever Dubai decides to do - e.g. establishing a tourist-sector - they apply an extremely coordinated approach between the various entities involved e.g. the airlines, the hotels, the marketing board, etc. With large events considered to be of strategic interest for the government, e.g. the World Bank meeting in 2003 or a high profiled medical congresses, the government might take over administration of the event, coordinate transportation and even fix the room prices for all categories of hotels - private or government owned, in order to secure the event becoming a success (Intv. 27 2006).

Dubai seems to pursue development with a clear strategy. It seems to have made a deliberate choice to establish itself at the high quality end of the market, whether in the tourist sector, in services or in manufacturing. In other words they do not intend to work their way up the quality ladder as the early industrializers did and as has been done by the countries which have followed the Asian model. Secondly, it seems to have chosen to develop by offering something substantially new to both

[43] It became legal by May 2006 (Real Estate website 2007).
[44] These towers make housing for 75000 people (Gulf News 2007).
[45] Unfortunately it is impossible to provide figures for the amount of foreign investments that enters Dubai because FDI figures are not published neither for UAE nor for Dubai (EIU 2006.29).
[46] Due to high oil prices Gulf Cooperation Council reported a record in foreign assets of US$ 1,600 billion (Khaleej Times 2007).

investors and consumers, rather than by replicating what everyone has done before them.

Branding has been a key element in this development strategy in extension of which Dubai has branded itself as ‘quality and innovation.’ One part of this approach has been the erection of iconic buildings, which have become known world wide. Among these are the sail-shaped *Hotel Burj al Arab,* which they claim to be the only seven star hotel in the world; the *Palm Islands* or as it is also termed: “the eighth wonder of the world”; the worlds longest indoor ski slope; and not least the *Burj Dubai,* the tallest building in the world which will reach 800 meters when it is finished in 2008 (MEED 2007.16).

Klingmann (2007.4) suggests that architecture has a special place in the experience economy. We should look at cities not as skylines but as *brandscapes,* where buildings are not objects but advertisements and destinations. She furthermore argues that architecture may be used as a strategic tool in economic and cultural transformation. “Branding in architecture means the expression of identity whether of an enterprise or a city. Indeed, New York, Bilbao, and Shanghai have all used architecture to enhance their images, generate economic growth, and elevate their positions in the global village.” It seems plausible that the leadership in Dubai view the architecture in this way.

Development with world class partners

The final systemic feature of the Dubai model is development with world class partners. As Nabil Aly Yousef, General Director of The Executive Office explains: Dubai aims to attract the best experts in the development of their projects. He furthermore states that they not only hire international consultants to construct the actual buildings, but also work actively to involve internationally recognized entities as partners in the operation of the projects when completed. One example of this approach is the establishment of the Dubai Health Care City. Both the Mayo Clinic and the Harvard Medical School became involved in the planning process, and in the day-to-day operation of the hospital. As such, the Mayo clinic takes care of the cardiology unit (Intv. 7 2005). This approach sends a strong signal to potential costumers regarding the quality of treatment at the Health Care City – it is on par with the best in the world.

This approach is introduced so as to solve a significant problem for a developing state such as Dubai, namely the lack of necessary skills among the local population needed to operate such complicated businesses. While buildings may be erected and technology bought, the ‘software’ demands significant education and work related training, which only very few people have.

World class partners and consultants are applied to nearly every sector in Dubai. Not only as architects on iconic buildings, but also in the hotel sector where the government owned hotels bring in international chains like Hilton, Sheraton, Hyatt to assist in the design of the hotel, but also to operate them afterwards (Intv. 27 2006).

Thus, using world class partners in their development process is a further approach for Dubai to attain the expertise they have not yet acquired for themselves.

The economic logic of the Dubai model

While is evident that buildings are shooting up, people and businesses continue to rush in implementing the planned mega projects, it is far less evident how the systemic features of the Dubai model, as described above, translate into sustainable economic activities.

Dubai does not levy taxes on its citizens or on its businesses.[47] Furthermore, a significant part of the new economic activities take place in free zones, which provide financial incentives such as 100% foreign ownership, exemption from corporate and income taxes for a period of 50 years, duty free Import of goods and full repatriation of profits and capital (JAFZA 2006).

This leads us to the essential question of how Dubai raises an income! Especially in the case of a foreign company setting up production in one of the free zones, importing all the raw material, labour and management and thereafter exporting the product?

The government in Dubai makes an income from various key sources: Service related fees, income from oil, income from state owned enterprises, from leasing government owned villas and not least from land sale and property.

While citizens do not pay taxes, they pay fees for a range of everyday services e.g. renewal of driver license, parking, visa renewal, use of hospitals, etc. Significant effort has been invested in turning the public sector into an efficient and revenue making entity, and the aim is to make the public sector self-financing in the future.[48] The Dubai Water and Electricity Authority (DEWA) is well underway to attaining this and is believed to be the only current utility in the Middle East actually generating a profit.[49] Even the police force is said to do well in regard to self-financing. Due to the fact that the public sector has been kept very small the aim of a self-financing might actually be realistic. In this way the public sector is believed to be a relatively light burden on the government economically speaking.

At the present rate of 170.000 barrels/day, oil is not a major income earner anymore (Butt 2001.237). With the present average oil price of US$ 70 the oil

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[47] This is generally true but Dubai levies a 10% sales tax on hotel bills, and a 10% of bank profits (EIU 2006.18)

[48] The Excellence Program was started in 1997 with the aim of improving the efficiency of the governmental sector. All staff is trained in an American management model, and all departments are evaluated yearly by acclaimed assessors in compliance to this model. The program furthermore entails visits to all departments by a ‘mystery shopper’ who will call anonymously on government departments and directors and rate their performance (Intv. 31 2006).

[49] One reason for this is that it has been politically acceptable to set the fees at a realistic level. Nationals are compensated for such fees through allowances in their salary, and the vast foreign population is not in a political position to do anything about it (Intv. 24 2006).

production will make an income of US$ 4.3 billion a year.[50] Due to the diversification of the economy, the oil-share of GDP has been reduced to five percent (TEO 2007.19).

The state owned enterprises, however, are believed to make substantial incomes. These entities encompass the *Emirates Airlines*, *Dubai Airport*, *Dubai Aluminium Company*, *Etisalat* the national phone company, *Dubai Dry Dock*, and the other numerous entities in the two giant holding companies; *Dubai World* and *Dubai Holding*. However, no one outside the innermost circles knows the income level, since balance sheets are not accessible by the public (Intv. 29 2006).

As mentioned above, one of the most unique features of the Dubai model relates to its investment policy. It is thought that the most significant sources of income since 1990 have been derived from land sale to foreign investors.[51] The logic is as follows: Land in Dubai is owned by the ruler. He might ask a state owned property development company to develop a track of land which they do as a 'cluster' that is, they develop a 'city within a city.' They install the basic infrastructure and build a few key buildings, not many, and sell the remaining plots to investors and third party developers to build on (Intv. 24 2006). With a constant undersupply of houses, apartments and office space in Dubai since the early 1990s, investors have been more than willing invest in these. The property development companies have thus gained a significant premium on their investment. In this perspective the three Palm Islands might be seen as a huge revenue raising exercise. Unofficially Nakheel is believed to have made US$ 16 billion worth of sales in its projects (Intv. 24 2006).

Real estate adds a further source of income through leasing. The government owns most of the buildings in the free zones, which means they acquire significant amounts of rents each month. Furthermore, the government owns 17.000 villas, which they lease (Intv. 27 2006). In this way a significant amount of income is generated by public sources.

In general, this accounts for the income accrued to the government. So the question is: how is the money spent? First of all, in accordance with the neo-patrimonial governance style, money is used to satisfy the patronage networks and ultimately to secure the ruler's position of power. This ruling-bargain between the ruler and the citizens implies that large sums of money are distributed among the citizens for various functions. Subsistence funds for infrastructure etc., social funds for housing, food, health care, education etc, and ceremonial funds for museums, mosques and heritage sites (Fox, Mourtada-Sabbah et al. 2006.11).[52]

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[50] Dubai's oil reserves were in 1991 estimated at 4 billion barrels, which will run out by 2016 if 1990 level of production continues. In contrast Abu Dhabi's oil reserves are estimated at 94 billion barrels (Data Dubai website 2007). Butt (2001.237) argues that Dubai's oil production peaked in 1991 at 410.000 b/d and have been steadily declining ever since. By year 2000 the production had dropped to 170.000 b/d.

[51] "In recent years, much of the emirate's wealth has been generated by selling land plots to wealthy developers from neighbours such as Saudi Arabia and Kuwait" (EIU 2006.15).

[52] See furthermore footnote 17.

Secondly, money is invested in new income generating projects. These are the steady stream of mega-projects under way, which aim at attracting “excess regional liquidity” (TEO 2007.17). Currently 23 such projects are under implementation.[53]

Thirdly, funds are channelled into foreign acquisitions and investments. As mentioned, a range of high profile investments have been made by Dubai-firms of late, with the purpose of taking Dubai businesses Dubai onto the global market. However, these investments are not financed solely by own sources. From business news, it may be learned that both public and private companies in Dubai increasingly finance their expansions by raising funds through the stock market, i.e. they borrow funds to finance their expansions (Emirates Today 2007; Gulf Times 2007).

It is our contention that the dynamics of the Dubai model lies in the ability of Dubai to attract foreign investments, which finances the building of the cityscape, the productive facilities and establishes businesses in Dubai. All the while, Dubai-based governmental firms, relieved from this financial burden, use their own funds in combination with borrowed funds to purchase economic assets on the global scene.

In this manner, Dubai receives maximum returns on the historical circumstance of significant international surplus capital looking for profitable investment possibilities in the 1990s and later. This opportunity has been seized and resulted in a significant build up of physical and human assets within a relatively short time, which promises to contribute to their future income.

As the oil resources dwindle and the huge incomes from land development are expected to decrease within the next 10 years, Dubai will have a significant range of assets from which they can make an income. One source of future income is somewhat unique to Dubai, namely the expected incomes from the public utility companies, and thus for hosting local and international production. Dubai aims to make money from leasing offices, warehouses and land, accommodation for the workers and managers, visa fees, selling food, electricity and water, international schools used by the children of international labour, airline tickets to and from the country, phone bills and so forth.

Due to the fact that the government owns virtually all providers of such services, they stand to make an income from each person that settles in the country. The Dubai Strategic Plan envisages a doubling of the population by 2015, which implies that these companies might achieve sizable surpluses and thus contribute significantly to the government budget.

In this manner, the role played by the public sector utility companies in Dubai’s development is rather unique and excludes debates regarding ‘privatization.’ With the strong neo-liberal conviction reigning in Dubai one would expect privatization to be promoted. This is, however, not the case - Dubai aims at keeping its public companies ‘public’, exactly because the government intends to make them profitable.[54]

[53] See the home page of Gulf News for an updated listing of the megaprojects in Dubai (Gulf News website 2007).

[54] It is furthermore believed that there is no efficiency gains to be achieved by privatizing them,

The Dubai model in a comparative perspective

When compared to the three general developmental models introduced earlier in this study, there can be little doubt that the Dubai model resembles the Asian model. Dubai lends itself to significant state involvement in the economy through active investments, hold strong developmental visions and not least the will to use the state apparatus to pursue such goals.

I addition, however, the Dubai model has similarities with the Anglo-Saxon model but also the European model. Firstly, it lends itself to unbridled neo-liberalism in business life, lean bureaucracy, no taxes and the 'minimal state' - all core-issues in the Anglo-Saxon model. Secondly, it includes some of the redistributive elements of the European model. As such, it may be argued that the Dubai model is a pragmatic blend of the ideal type variables included in the three general development models.

The leadership in Dubai identifies itself with the Asian model of development in general and the Singapore model in particular (Intv. 31 2006). Most likely, this is reinforced by the fact that Dubai and Singapore share the status of being an entrepôt and a small city state. However, according to our understanding state involvement in Dubai is much more pervasive than in the Asian model.

The Asian model is firmly built upon the notion of a social pact and co-operation between the state and big-business, as argued earlier. If we define cooperation as political interaction between relatively autonomous partners, then this does not exist in Dubai. While interaction certainly takes place among these entities, none of these are independent of the ruler, due to the depth of the neo-patrimonial governance structure found in the emirate.

Furthermore, in Dubai both the legislature and executive functions are undertaken by the state, which in absence of a parliamentary body with legislative powers, consist of the ruler and his closest advisors. In this way it makes little sense to view either 'legislature' or 'executive' as autonomous entities in Dubai.

So, there is little differentiation between ´legislature´, 'executive' and the big family owned businesses, thus making way for more pervasive state involvement in Dubai model than in the Asian model. In fact, we ought not speak of state involvement, but rather 'ruler involvement.'

This 'one man rule' and the highly centralized institutional structure makes Dubai appear more like a private firm than a modern state. This view is embedded in the often quoted saying in Dubai that Sheikh Muhammed runs Dubai as if it was a corporation: Dubai Inc.. (Intv. 8 2006; Intv. 11 2006; Intv. 28 2006).

Thus, Dubai may be characterized by a highly centralized decision making structure and significant government involvement in the economy. Both factors might be criticized by adherents of Democracy and neo-liberalism, but in our perspective constitutes a major reason for the success of Dubai. From an economist's perspective, democratic or participatory forms of governmental leadership might endanger development in its initial phases, because it potentially diverts investments and political focus away from key factors in economic development.[55] The extremely centralized decision making structure in Dubai has managed to coordinate the sizable state investments, the incoming foreign investments and probably also some of the investments of the private sector. In this way Dubai has carefully built a portfolio of assets, which is both complementary and holds significant backward and forward linkages in the economy, and thus a high developmental potential.[56]

The Dubai model furthermore shares major similarities with the Anglo-Saxon model in its unbridled neo-liberalism in business life and state affairs, lean bureaucracy, few taxes and the 'minimal state.' Despite massive government involvement in the economy, significant parts of it are operated according to the traditional principles of capitalism, namely, competition on price and quality. While it is fair to state that various new developments and mega projects are 'state domain', which means that the government body decides who is to be rewarded major contracts there is large private sector in trade and retail, which operates on purely capitalistic principles. This sector has made Dubai the third largest re-exporter in the world after Hong Kong and Singapore (JAFZA 2006).

Private sector investments and activities are actively encouraged by the government through a strategy of the government making the first and most risky investments then stepping back to let private investments take over (Sampler and Eigner 2003.61). In addition government owned firms are not sheltered from competition as is often the case with State Owed Enterprises. In Dubai most governmental firms are given a start-up sum and a piece of land. If they cannot establish their business and become profitable on these terms they are left to die (Intv. 6 2005).[57]

Also, competition is induced in and among the government controlled entities in order to make the public sector - especially utility companies - not only cost effective, but self financing. Indeed, competition is encouraged through duplicating entities and functions. Prime examples of this are the two giant holding companies *Dubai Holding* and *Dubai World*, both of which encompass a range of similar entities and activities. This provides for constant competition regarding new ideas, income and visibility (Intv. 24 2006). The two property development firms *Emaar* and *Nakheel* share in this feature. Most recently they competed in building the highest structure in the world. [58]

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[55] The issue of democracy and economic development is much debated. See e.g. (Sørensen 1991.164; Waldner 1999.31ff; Szirmai 2005.476ff).
[56] See footnote 33.
[57] Numerous respondents claim that they knew of start up firms which have actually terminated business.
[58] By 21 of July 2007 Burj Dubai built by *Emaar* became the highest building when it passed the height of 512 meters - the tower is supposed to reach it final height of app. 800 meters in 2008. *Nakheel* used this opportunity to announce their tall tower project, which will reach a height of 1050 meters (MEED 2007.16).

In other words, the public sector contains significant neo-liberalistic elements including the notion of the 'minimal state,' and financing of basic social services through fees (not taxes). So, even in a government controlled economic environment, Dubai has created circumstances where the virtues of neo-liberalism seem to coexist with state dirigism. Indeed, higher levels of competition are sought as the government controlled firms are introduced to the global market.

And finally, the Dubai model seems to include some of the redistributive elements found in the European model, elements which certainly do not correspond with the strong neo-liberal orientation in other parts of the model.

Redistribution, however, takes place only in regard to 'nationals.' While the government has given up the former practice of supplying free housing to its employees and free education abroad for all, nationals enjoy a range of special allowances in relation to their salary: Accommodation allowance, transport allowance, cost of living allowance, social allowance and furniture allowance. Due to these allowances a national may uphold a salary approximately twice that of an expatriate employed in the same job (Khaleej Times 2006). Redistribution furthermore take the form of free medical care, free schooling etc. but again only for nationals.

In the European model redistribution originates in a social democratic understanding of egalitarianism, while redistribution within the Dubai model primarily serves as a part of the ruling-bargain within the neo-patrimonial setting, as discussed earlier in this paper.

Conclusion

Besides trading and pearling Dubai has had no comparative advantages which would secure it a place among the richest countries in the world. The significant assets and comparative advantages held by Dubai today have been created one-by-one during the short course of its development process. In this study it has been demonstrated that the development of the emirate has encompassed a number of interrelated factors, which constitute a unique model – the Dubai model.

As such, this study demonstrated that the focus on the managerial features of the developmental process, as done by Sampler and Eigner in their book *From Sand to Silicon*, which has so far been the foremost attempt to place Dubai in a developmental framework, is far too narrow to describe and analyze the development process as it has unfolded.

This study differs significantly from any other done so far in respect to the development of Dubai, because of its approach. The developmental process has been placed in a framework of various general developmental models. Establishing the systemic features and thus the 'Dubai model' allows us, to better understand and analyze the multi-causal explanations related to the development of the emirate.

Furthermore, and in more theoretical terms, it becomes clear that the multi-causal approach followed by Dubai has incorporated major elements from the Anglo-Saxon, the European and Asian models respectively. Not only did this result in a unique synergy internally, but was conducted so that it could take advantage of external circumstances also. These had arisen during a unique historical period characterised by significant capital surplus seeking profitable investment opportunities. The Dubai model is thus closely linked to its global context and the plentiful investments available there at certain times. As an explanatory approach The Dubai model therefore emphasises historical circumstances as a variable. Indeed we could term development approached in this manner: 'historical opportunism.' While, given the political situation in Dubai, documentation for this claim does takes on a qualitative character there are apparent analytical gains to be had.

The approach applied in this study suggests further research as regards the development models and multi-causality across countries in general. One target for such research could be the relationship between 'historical opportunism' and sustainable development. Other obvious targets for such research is to test the extent to which the Dubai model may be generalized-both to others countries, and not least in other historical periods. It might be hypothesized that the Dubai model, due to its origin in the tribal governance structures and the general Middle Eastern setting could advantageously be replicated partly or in full by other countries in the Middle Eastern region and the Gulf countries in particular.

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