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## **List of Acronyms**

**AHDR:** Arab Human Development Report

**AGS:** Arab Gulf States

**CNN:** Cable News Network

**DIFC:** Dubai International Financial Centre

**DSP:** Dubai Strategic Planning

**DS:** Developmental State

**ELG:** Export Led Growth

**FNC:** Federal National Council

**FSC:** Supreme Council of the Federation

**HR:** Human Resources

**ICT:** Information and Communication Technology

**ILO:** International Labour Organization

**IMF:** International Monetary Fund

**GCC:** Gulf Cooperation Council

**GDP:** Gross Domestic Product

**GFC:** Global Financial Crisis

**GRE:** Government Related Enterprises

**LDCs:** Lesser Developed Countries

**LLC:** Limited Liability Company

**ME:** Middle East

**MENA:** Middle East and North Africa

**MDGs:** Millennium Development Goals

**MNCs:** Multi-National Corporations

**MOL:** Ministry of Labour

**NICs:** Newly Industrialized Countries

**NGO:** Non Governmental Organizations

**ODA:** Overseas Development Aid

**OECD:** Organization of Economic Developed Countries

**PRI:** Institutionalized Revolutionary Party

**RDC Model:** Rentier Developmental and Competition

**SOEs:** State-owned enterprises

**SOHCs:** State Owned Holding Companies

**SAPs** Structural Adjustment Programmes

**UAE:** United Arab Emirates

**UNDP:** United Nations Development Programme

**UNCTAD:** United Nation Conference on Trade and Development

**USA:** United States of America

**WDR:** World Development Report

**WEP:** World Employment Program

## **Chapter One: Research Outline**

*“Money is like water,” “If you lock it up, it becomes stagnant and foul-smelling, but if you let it flow, it stays fresh.”*

*His Highness Sheikh Mohammed Bin Rashid Al Maktoum*

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### **1.1. Introduction**

This thesis is about post-Britannia Dubai, a developing city-state or sheikhdom within the Federal State of the United Arab Emirates, focussing on its exponential rate of socio-economic transformation and development in the period 1998 and 2008, which in historical terms, is a very short period of time. In particular, this thesis employs and is influenced by a hybrid rentier, developmental state (RDC) state paradigmatic model in order to fully locate and encapsulate Dubai’s transformation within a set of conceptual theoretical discourses. The author’s intent in employing such an approach is to make the point that the developmental path of Dubai requires more than a one dimensional analysis. The anticipated impact of this multi-dimensional model is that it will engender debate across diverse African countries as well other countries seeking policy alternatives to those promulgated by international donor agencies and industrialized Western governments.

The sheikhdom which has led Dubai’s socio-economic transformation and present development trajectory has defied the economic thought in vogue during that period; a position, which postulates that economic growth and development are only achievable through the dictates of the Washington Consensus’s neo-liberal orthodoxy and minimalist state doctrine. Khory, in summary, captures Dubai’s epistemic developmental path in stating that “...the city state has been able to lay the foundations for rapid and sustainable development by ‘by-passing’ the path to economic and political modernization similar to the one, the ‘First World’ had travelled” (Khory, 2008:1-7). This development trajectory led the World Economic Forum

(2007:6) and Pradhan (2009:2), to comment, and in this author's opinion, correctly so: "...Dubai's economic miracle epitomizes the success of an innovative, state-led, capitalist growth model and has been a regional leader of innovative development plans." In a similar vein "the sociology of development" (Gereffi 1989:505), in the Arab world has "...historically from the 1940s until now, embraced overall a model of governance and development that has been state-led, state-centred, and state-regulated, with a strong interventionist-redistributive orientation" (Richards & Waterbury 1996, cited in Yousef 2004:91-92; UNDP 2005:10). It is important to note that the state led development of Dubai's economy co-exists with the excesses of free market capitalism.

The general terms of Dubai's development trajectory have been well documented (Tamanini 2007:2), and are increasingly so, by a number of non-academic business magazines, journals and newspapers especially after the UAE and Dubai in particular "...threw off the shackles of colonialism" (Luiz 2000:229). The Emirate of Dubai (UAE) started its modern development journey with a modest economy and population, but a determined mindset and a clear vision to achieve international excellence and become a city of global standing (Ali Alyousuf 2008; Henderson 2007). From being an impoverished, quiet and insignificant entity, "...Dubai has in the 19<sup>th</sup> and 20<sup>th</sup> centuries metamorphosed from little more than a fishing and pearl diving township which had over the years survived off the bounty of the sea, into a fully fledged sheikhdom with political stability and an established ruling dynasty" (Davidson 2008: 9; Ali Alyousuf 2008; Henderson 2007).

The Emirate's development strategies and plans hinged on the long-term socio-economic policies and programmes outlined in the Dubai Strategic Plan (DSP) 1996, as well as in the DSPs 2010 and 2015. Details of each strategic plan are expounded in Chapter seven of this thesis. It is imperative to note that the pursuit of socio-economic development is accompanied by a plethora of complexities and issues arising from various development

theoretical constructs and paradigms. Avgerou argues differently, but in support of the above point, that “...development policy and action are entangled with the conflicting interests and power relations in the contemporary global and national politics” (2009:3). It is on this premise that the development policies and strategies of a country, including that of the city of Dubai, are will be informed, designed and shaped by its history, the international political economy and /or the developmental gaps in the society.

This research incorporates the same view as Avgerou because the UAE, and specifically Dubai’s economy, does not operate in a vacuum, as observed during the 2008 global financial crisis. In essence, disentangling the state-led, pro-competition and pro-market policy from the global economy is not possible. This thesis therefore explores and analyses Dubai’s socio-economic development strategies and performance from 1998 to 2008, precisely because there is such a paradoxical interplay of opposing forces, state involvement and neo-liberal dogma.

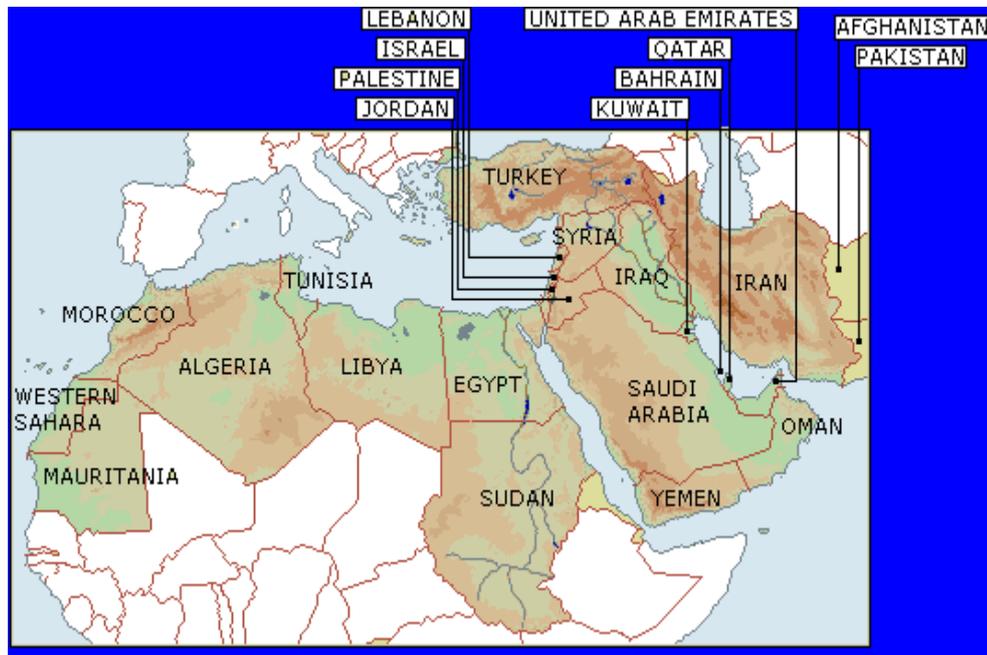
## **1.2. Background to the Study: An Overview of the Middle East’s Social and Geo-Political Economy**

There are twenty-two states (see Figure1 below) that constitute the Arab world; Kumar (2006: 3) is of the view that countries of the “Arab world depict images of a society that is inward looking, docile, undemocratic and repressive.” Nevertheless, as Raffer (2006:13), states: “the Arab world is not homogeneous” and he further argues that these states “are quite diverse with the bulk of economic activities concentrated in a few countries.” The Middle East and North Africa (MENA) region comprises both the oil-rich economies in the Gulf and the countries that are resource-scarce in relation to population, such as Egypt, Morocco, and Yemen (Gebara 2007:2). The study focuses on Dubai and the rapid social and economic development of this important sheikhdom and “Islamic principality of the United Arab Emirates (UAE) federation” (IMF 1998). The UAE is one of the oil rich

countries in the southern Gulf, depicted on the map of the Middle East below.

## Map of the Middle East

Figure 1.1: Map of the Middle East



Source: Map extracted from Google Image

Gadir-Ali (2008:4) opines that “a relatively large number of Arab countries shown on the map above [Figure 1], have experienced ‘development disasters’ over the period since independence.” Thus, it is not surprising that many countries across the region “...are facing significant multidimensional development challenges that profoundly affect social, economic and living conditions of the citizens.” (Mahjoub et al 2010:05; UNDP, 2003). The National Newspaper (2011) and the Arab Human Development Report (2002: v) have itemised some of the manifestations of the development disasters and deficits experienced in some Arab countries: “among them are indignity, mounting unemployment rates, poverty, marginalization, high illiteracy rates, gender inequality and exclusion and the feeling that one is living as a guest or persona non grata in his ancestral homeland.” The first Arab Human Development Report (AHDR 2002) characterised the Arab world as ‘richer than it is developed,’ as the story of

Arab economies since the 1970s is largely the story of oil (AHDR 2009: 99). But Al Ismaily (2009:2) aptly reminds us that “the Arab world economy can be divided roughly into two regions, namely, the resource rich, mostly hydrocarbons and the labour abundance.” [...] That description highlights the disjunction between the region’s material wealth and its real levels of human development, which point to a backlog of policy failures often overlooked by conventional economic analyses at the time (AHDR 2009:99).

The political economy that prevails in the Arab region prevents mutual accountability between citizens and the state. Political life is constructed in ways that reproduce the dominant power structure. This power structure reflects an admixture of the interlocked interests that concentrates authority in a small circle and prevents rotation of power (UNDP 2011:11). Schlumberger (2004:36) and Hvidt (2009:400) both remarked that “it is uncontested textbook knowledge that Arab socio-political systems are characterized by strong neo-patrimonial forms of political structure and rule”; such a characterisation is applicable to Dubai in particular and generally across the UAE. Hvidt (2007:400) elaborates by noting that “oil money, however, significantly strengthened the ruler’s economic position, bettering his ability to ‘buy’ loyalty not only from the Bedouin tribes and the merchant elites, but also from society at large.”

The Arab world has made considerable progress between 1960-1984 and 1985-2000, most notably with regard to women’s education (Elbadawi 2004:6), in spite of the lack of political pluralism and an interactive civil society in most Arab states. In general most Arab economies were doing very well with some economies performing better during the 1990s than during the 1980s, although some have not done so (Raffer 2006; Schlumberger 2004). It is on that premise that this study was initiated.

### **1.2.1. Rationale for study**

The world does not appear to make sense: if it did, Dubai would be miserable, poor, and suffering from the oil curse syndrome or theory (Wight 2011: 351). According to many conventional theories of development and the oil curse theory, Dubai would never be a candidate for success; given the fact that it is "...sparsely populated and does not enjoy economies of scale scope for manufacturing and other commercial activities" (Ibid: 351). The development strategy and model that have unfolded in recent years in Dubai reflect the geo-political landscape of the region; its demographic makeup, the development agenda, size and political tenacity of the emirate and most importantly, its history prior to the post Pax-Britannica period.

In Dubai and other Arab states, the authoritarian power structure is centred around what has been labelled *dimuqratiyyatal-Khubz* (democracy of bread): the tacit social contract in which the regime provides social and economic welfare in return for political loyalty (Sadiki 1997 cited in Kumar 2006:5). The Islamic principality of Dubai never succumbed to the oil curse theory syndrome, but instead, the rulers of the emirate have in recent times transformed the previously underdeveloped city state into a prosperous sheikhdom and model of development that has been replicated across the region and into Eurasia. This also prompted my interest and rationale for undertaking the study.

In addition to the points outlined above, the following are other specific rationales for this study and are based on the premise that Dubai's development model, as described in development economics literature, is unique. The uniqueness of the given model is viewed with the following perspectives:

- (i) Dubai is considered a developing state, yet it does not possess those characteristics that seem to beset other developing states, such as: high rates of unemployment, deeply imbedded social problems, fiscal

deficit, IMF/ World Structural Adjustment Programs, brain drain etcetera.

- (ii) The social and economic institutions of the city state depend heavily on an army of expatriate labour to operate the state apparatus and simultaneously train and mentor its local citizens to eventually take over and run state owned entities and the bureaucracy.
- (iii) Dubai does not depend on Overseas Development Aid (ODA); indeed, in contrast to other developing countries it provides development assistance funds through its Dubai Cares Funding Agency to finance education in the MENA Region, East and West Africa.
- (iv) Unlike countries from Latin America, Africa and the Caribbean, Dubai is a part of a federal state with partial autonomy. Dubai is subject to the federal law of the UAE but retains the right to administer its own internal affairs.
- (v) The socio-economic development agenda is the vision of one man: the ruler of Dubai, Prime Minister and Vice-President of the United Arab Emirates, His Highness Sheikh Mohammed Bin Rashid Al Maktoum. This vision is then hierarchically cascaded down to a close circle of trusted lieutenants and from there to a well organised and efficient expatriate dominated bureaucracy.
- (vi) Similar to the artificial carving up of sub-Saharan Africa, borders in the region were “drawn based on politics by the colonial powers rather than historical, cultural or ethnic backgrounds or social consensus which led to subsequent ethnic and religious civil conflicts” (Dahi and Demir 2008:7). This similarity has evoked a personal motivation to investigate which fundamental sets of the inter-related factors have contributed to Dubai’s success.

In essence, a summation of the rationales for the study is an attempt to fill a gap in the way Dubai’s socio-economic development literature is presented, explained and analysed. In addition, there is a need to contextualise Dubai’s

development policies and strategies into a development paradigm within the development studies discourse.

### **1.2.2. Problem statement**

The state of underdevelopment globally, whether spatial, social or economic is problematic, having definite political and socio-economic implications. The need to achieve holistic development in Dubai has been pursued in a multi-dimensional way, similar to the process and definition of development which is multi-faceted by nature in order to overcome its previous state of socio-economic underdevelopment. The societies of the Gulf countries, including Dubai, have a traditional, tribal political structure and are often referred to as rentier-state economies, relying pre-dominantly on a single source of income generated from the export of fossil fuels (Kumar 2006:02). Dubai is ruled by a dynastic monarchy and has been described by Jonathan Mann of CNN “as a tiny, synthetic city-state that has transformed itself and is now literally changing the landscape around it, making its own new world out of oil money and ambition”(Mann 2007).

Hvidt (2007) expresses the concern that “...as the developmental process unfolds in Dubai it has only received cursory reports in the news media, news oriented magazines and business literature, therefore only fragmented information is available.” Such fragmented information includes literature that captures Dubai’s economic transformation on the basis of macro-economic variables/indicators, which include GDP per capita, rate of unemployment, economic growth and spatial development across the Emirate.

The development strategies and plans of the UAE and Dubai have been designed on the premise that “...the fundamental objective of development is the welfare of society and ensuring its continuity for the present and future human beings” (Al-Sadik 2008:209). Unfortunately, debate concerning Dubai’s socio-economic development has not encapsulated or reflected a

development theory or model. There is a tendency to analyse Dubai's developmental path without addressing the correlation between politics, economics and development and how all three are interwoven. "Dubai's developmental achievements are related to its governance structure. It encompasses an autocratic (soft) rule, strong developmental visions, a lean and efficient state apparatus, active market interference, reliance on the market mechanism and a pragmatic (not ideological) approach to development" (Hvidt 2007:4). The problem, however, is that literature on Dubai's socio-economic development postulates a narrow mapping of the process and the trend is to present studies on the UAE and Dubai from a spatial and descriptive ontological perspective.

The main research problem addressed in this study may be formulated as: *An Analysis of Dubai's Socio-Economic Performance and Development Strategies 1998-2008*, given its history, socio-political structure and lack of human capital, its geo-political environment, and lack of democratic governance. These fundamental characteristics of modern Dubai have led to the research objectives outlined below.

### **1.3. Research Objectives**

The research explores the approaches and strategies of socioeconomic development in Dubai over a ten year period. Specifically, the study attempts:

- (i) To analyse and evaluate Dubai's Development Strategic Plans (DSPs) of 1996, 2010 and 2015.
- (ii) To test the value of development theories, specifically those of the developmental state, the competition state and the rentier theory in explaining socio-economic development of Dubai.

- (iii) To review and espouse role leadership or good governance in designing and implementing policies aimed at achieving targeted socio-economic development outcomes in Dubai over a ten year period
- (iv) To analyse social developments (including health care, education, women empowerment, civil society) in the emirate of Dubai
- (v) To analyse the role which good governance played in Dubai's development.

### **1.3.1. Main research questions**

The aim of this section is to present the primary research question which seeks to investigate: What Dubai's socio-economic development strategies and performance have been over the period 1998 to 2008? In order to provide answers to the above question, the following sub-questions are addressed:

- (i) What socio-economic development approaches did Dubai pursue to achieve its present level of growth and development?
- (ii) Is there a strong correlation between the state's involvement and development in Dubai?
- (iii) Can Dubai be considered a developmental state, a rentier state or a competition state?
- (iv) What role has leadership and style of governance played in enhancing the socio-economic development of Dubai?
- (v) Are there visible signs of integrated development planning in Dubai's approach to urban and socio-economic transformation?
- (vi) How has Dubai harnessed expatriate labour for national development?
- (vii) How did Dubai protect and empower its minority population in the process of national development?

## **1.4. Significance and Justification of the Study**

### **1.4.1. Significance of the study**

The Emirate of Dubai has been able to achieve socio-economic development in a region in which “...the empirical realities reflect the glaring deficiencies in human rights and a track record of uneven development”(Alvi 2005: 142). There is also a need to add to the body of academic literature written on the transformation of UAE within the development studies discourse, as opposed to single a sector specific analysis and business related commentaries.

The significance of this thesis may be regarded within the following context:

- (i) The research will be of value to other development practitioners and individuals interested in international development.
- (ii) It will re-contextualise and re-orient Dubai’s development literature, available from an academic point of view.
- (iii) The study seeks to fill a gap in the availability of scientific information on the development process and success of Dubai.
- (iv) The study will stimulate further research into the ascribed development model used by the leaders and policymakers of the UAE, and Dubai in particular, through which they have achieved an unprecedented level of socio-economic transformation and development in the last decade.
- (v) The study represents academic research in an area that is under-explored despite the remarkably successful, yet unorthodox approach to socio-economic achievement.
- (vi) The study utilises fragmented information on Dubai based on measurable outcomes such as GDP per capita, to define and contextualise the city’s development within development studies discourses.

## **1.5. Conceptualisation of the Developmental Process**

The sociology of development (Gereffi 1989:505) is regarded by Remenyi as a “process-directed outcome, encapsulating improved standards of living, greater capacity for self-reliance in economies that are technically more complex and more dependent on global integration than before” (2004: 22). Todaro (2000:16) puts it slightly differently, by outlining that “development must be conceived of as a multi-dimensional process involving major changes in social structures, popular attitude and national institutions, as well as the acceleration of economic growth, the reduction of inequality, and the eradication of poverty.”

Every nation strives after development (Todaro 1992:98) and Dubai is no different. “The objective of development on a global scale is to reduce the gap in wealth between developed and developing countries and on a national scale the object is to reduce poverty and underdevelopment” (Fair 1982 cited in Chazireni 2003: 22). These objectives are encapsulated in the eight Millennium Development Goals (MDGs) which are multi-dimensional in their focus and trajectories.

Development Studies literature articulates and emphasises that development is more than total GDP, or GDP per capita of a country. Instead, it has been universally accepted that development includes the uncompromising involvement of the populace in the process. On the contrary, Jabbra observed that “citizens of the Arab world do not participate positively and actively in the developmental process of their societies” (Jabbra 1989:4). It is generally accepted that development should primarily be people centred as it concerns the population and within that context, Sâigh (1978:12), made a most salient point, stating that “...decisions involved in the design of development strategies and policies and in the allocation and use of development resources must themselves also be accompanied by wide social and political participation by the population.” This point is further developed by Kadir (2011:4) who stated that “the

fundamental premise of the right to development is predicated on the freedom to participate in political life, the right to work and equality of opportunity, peace and security.”

## **1.6. Theoretical Framework**

The developmental path of every society is charted or informed by one or a combination of development paradigm/s as empirical research and economic orthodoxy since the post-world war II would suggest. In most cases there is no announcement of the development paradigm being followed; instead, social scientists ascribe a model of development after the fact.

Dubai’s economic development achievements cannot be pigeonholed solely into any of the following paradigms: dependency, developmental state, competition state, neo-classic economic model, export led growth (ELG), modernization, Marxism, and welfare state. For this reason, the theoretical framework of this thesis is drawn from the rentier, developmental and competition state theories. The chosen theoretical concepts of competition and rentier states are derived from international political economy (Cerny 2000), whilst the developmental states theory emanates from development studies and international sociology (Abe 2006:6), as the appropriate barometers by which to gauge and situate this study. The rationale for the selection of those development paradigms is heavily influenced by Hvidt (2007: 5), who states that “Dubai’s development record is unique, especially within the socio-economic and political setting of the Middle East.” Thus, the theoretical models chosen seek to contextualise, document and analyse Dubai’s development within the development studies discourse.

In addition, in order to adequately analyse the research objectives and questions, it is deemed appropriate to explore the development theories drawn from the academic disciplines of political economy and development

studies. The development paradigms proposed for this thesis are not without weaknesses and thus have attracted criticism within academic and socio-political communities.

### **1.6.1. Rentier state theory**

Political economists such as Luciani and Beblawi in the 1980s described the rentier state model as an analytical tool for understanding the lack of democracy driven by exogenous sources of rent such as oil wealth (Hudson 2009:60). This influx of oil wealth may have a diabolical effect on a country's development as seen in Nigeria, Libya and Angola. Terry Lynn Karl (1997), in his book *"The Paradox of Plenty"*, explains the oil curse theory and argues that "a government's oil revenues harm the development of a state's economy as well as its political system." Thus, this study attempts to determine if Dubai is a fully fledged rentier-state or it simply demonstrates elements of the rentier state theory.

Dubai exhibited the income structure of a rentier state until the mid-1980s and external rents currently still count for a substantial part of the Emirate's revenues. However, Dubai has never demonstrated completely typical rentier state behaviour (Sailer, 2010: vii). The rentier state theory is not able to satisfactorily explain its economic policies before 1985 and it remains unclear if the policies after 1985 may be interpreted as a crisis management measure in accordance with the rentier-state theory (Ibid: VII). On the contrary, Almezaini (2010:3) argues that "the UAE characterises a rentier state that continues to shape the current structure of government. In return for loyalty and for not demanding political reform, the state offers its citizens enormous material wealth. This rentierism continues to enhance the legitimacy of the authorities."

In summary: based on a review of the literature, expert opinion and observation, it may be deduced that the Dubai Strategic Plans of 1996, 2010, and 2015 represent mere development policies geared towards

achieving measurable goals. Thus, the theoretical or conceptual framework for analysing the socio-economic development strategies of Dubai over the period of 1998-2008 is part of a broader framework for explaining a possible development model, as there is no single development model but instead a seeming hybridisation of models.

### **1.6.2. Developmental state model**

Drawing on the work *inter alia*, of Johnson (1982), Deyo (1987) and Evans (1995), we understand a developmental state to exist when the state possesses the vision, leadership and capacity to bring about a positive transformation of society within a condensed period of time (Verena and Menocal 2007: 533). The concept of the developmental state gained currency in a polarised debate about the respective roles of state and market in economic development in the 1980's, especially when the role of the state was considered pivotal to economic development, as it was in East Asian countries such as Japan and South Korea (Cao 2008: 166-167). It is important to note that, "the developmental state and its associated policies are not unique to Japan or East Asia. A similar type of model, albeit a more restrictive one, was also followed in Latin America during the period that lasted from the end of World War II to the beginning of the 1960s and, in some cases, the 1970s" (Caldentey, 2008:27). Allen and Thomas (2004:359) argue that "the developmental state model of South East Asia represented prior to the crisis in 1996 a distinct brand of capitalism which differs in significant ways from its European and American counterparts."

Dubai is similar to the East Asian or the Newly Industrialised Countries (NICs) which "...have strong political and bureaucratic leadership that directs the economy towards achieving developmental goals" (Hirata 2002:1). However, unlike the NICs, Dubai's developmental state has injected more social dimensions into the model, through for example, the provision of: free education, healthcare, government grants to encourage its citizens to marry, heavily subsidised electricity and water. This is made possible because it is

the “...government, and not the private sector, that takes the lead in the development of Dubai” (Hvdit 2009: 400). This point is supported by the Moody’s Report (2008) that asserted “Dubai’s development rests on a centrally coordinated approach, integrated across the Emirate’s core strategic sectors.”

Dubai displays features of an authoritarian developmental state as described by Leftwich (1998:62-3 cited in Allen & Tomas 2004), possessing the following distinct features: a dedicated developmental elite; a complex and insulated economic bureaucracy; a weak and/or subordinated civil society and the relative autonomy of the state apparatus. Ha-Joon Chang sums up these features, in noting that “development strategy is a complex set of interrelated policies rather than a simple matter of trade policy, as is often implied by the mainstream literature” (2006: 4). The complexity in constructing development strategies is reflective of the thematic deficiencies that beset development theories, which will be addressed in chapter five.

### **1.6.3. Competition state**

Drawing on the theoretical work of Cerny (2000) and data from a longitudinal empirical investigation over several years, the researcher contends that Dubai is transforming into a competition state (Abdullah & Nicholson 2009: 25). The main focus of the competition state is to promote economic activities at home and abroad, enabling the firms that operate within the state to be competitive in the global market (Ibid: 32). The competition state is based on the ideology of the neoliberal state, where the state promotes the process of openness, deregulation, and liberalisation (Ibid: 33).

Dubai’s quest to build its development tracks through the use of cluster initiatives, such as the academic city, an ICT industry and the Emirates Group, characterises the tenets of a competition state as theorized by Cerny (2000). The state works to attract foreign states and firms to engage in long-

term, mutually beneficial relations with domestic counterparts (Al-Qasimi, et Al. 1999:2). The Government of Dubai provides, "...legal regimes, regulatory frameworks and allocative systems, so that the system works for the domestic population and for outsiders coming in to invest" (Ibid: 2). The Dubai International Financial Centre, Jabel Ali Free Zones, Dubai Media City, modern infrastructure, strategic partnerships and International Academic City, are examples of the effective systems and legislative mechanisms that have been put in place to attract and protect foreign direct investors as well as domestic investors.

### **1.7. Research Methodology**

The purpose of this research is to use the rentier, state, developmental state and competition state development paradigms to locate Dubai's socio-economic development strategies. Development Studies is cross-disciplinary in nature, thus lending itself to mixed research methods. After deciding on the research questions, research objectives, reviewing of research methods literature and taking into account the methodological limitations, the researcher elected to use both qualitative and quantitative research methods to conduct the proposed study. Socio-economic data sets will be collected from a cross-section or a combination of primary and secondary sources for this single study and will be integrated to achieve the research questions outlined *Section 1.2.1*. The chosen research approach, methods, dataset sources, processes of collecting and analyzing datasets will be described and fully explained in chapter four.

### **1.8. Time Period Covered by the Study**

The study period, between the years 1998 to 2008, was chosen for a number of reasons. Firstly, in late 1996, Dubai announced an ambitious strategic development plan called "Into the 21st Century" under which it included \$12 billion worth of projects, to bolster the non-fossil fuel sectors of the economy. Since then, further planning has been encapsulated in Vision

2010 and the Dubai Strategic Plan (DSP) 2015; which seek to achieve social and economic development in an organised, integrated and holistic manner. It was deemed appropriate by the author to locate the study two years into Dubai's first development plan.

Secondly, it is the researcher's intention is to examine Dubai's achievements (social and economic) in that ten year period of intensive economic planning, as reflected in the emirate's macro-economic indicators, while it took Singapore and other developing countries almost 50 years to achieve a similar set of objectives. Thirdly, to consider the effects of the global economic recession, that started in 2008 and impacted negatively on the development trajectory of Dubai by derailing the city state's development agenda. Fourthly, to examine how, during the late 1990's through to 2008, Dubai attempted to play "catch-up" with the rest of the emerging and developed economies. Finally, 1990s ushered in a new era in which the development community saw the emergence of the post-Washington consensus; and thus the re-emergence of the state as a major player in their economies.

### **1.9. Scope and Delimitations of Study**

It is not the intention of the author to study all the sectors that comprise the Dubai economy. It is also not the intention of this study to examine the socio-economic development of all the United Arab Emirates, but, rather, to focus on Dubai specifically. The basis for this is that each Emirate of the confederation of the UAE operates in a unique and different environment with varied organisational culture, political leadership and institutional framework, ably supported by federal institutions. The proposed study will seek to explore fundamental institutional, social and macro-economic development policies that have contributed to the holistic transformation of Dubai, and place it within development paradigms.

## **1.10. Structure of the thesis**

The thesis consists of ten chapters and an appendices section. The basic structures are as follows:

### **Chapter One**

This chapter introduces the thesis and outlines the research questions and objectives of the research design. It additionally covers the rationale and background for the study; the problem statement; contextualisation of development studies as an academic discipline; the theoretical framework; the significance of the research and scope and delimitation.

### **Chapter Two**

This chapter presents an overview of the political, geo-political, socio-economic and historical background of the UAE and Dubai in particular. Chapter two also seeks to situate the socio-economic development of Dubai within the broader context of the UAE's development, based on its pre and post European historical encounter up to the present period in its history.

### **Chapter Three**

This chapter reviews relevant literature regarding Dubai's socio-economic development transformation published by various authors, thinkers and scholars. The review will contextualise the study within development paradigms relevant to the research, based on the following sub-topics: spatial development, public participation, good governance and public policy.

### **Chapter Four**

Chapter four addresses the research methodology of the thesis, aimed at effectively covering the research objectives. It will explain the research types of research and information. The data sources, data collection methods and statistical processing of data will be explained in this chapter. The strengths

and limitations of each method will be spelt out. Justification of the methods used and ethical considerations will also be discussed.

### **Chapter Five**

This chapter addresses the theoretical aspect, providing an overview; analysis and critique of four mainstream development theories and in the process explain why they cannot be applied fully to an understanding or explanation of the socio-economic development trajectory of Dubai. The gap created by the theoretical critique of development theories will be addressed by making a case for the development paradigms of: rentier, competition and developmental states, as a hybrid development model which may be used to explain Dubai's development.

### **Chapter Six**

In chapter six, the theoretical framework of the thesis is discussed and situated within the proposition that Dubai's socio-economic transformation was carried out using a combination of the rentier state, developmental and competition (RDC) states model. In addition, the state-society relationship was examined to provide support for the theoretical framework that guides the entire research project.

### **Chapter Seven**

This chapter synthesises and analyses the DSPs of 1996, 2000 and 2015 to examine the socio-economic development of Dubai as it is carried out within the parameters of integrated development planning by the state and policymakers. This chapter also functions as a filter to compartmentalise and refine the underlying tenets or features of Dubai's socio-economic development strategies investigated in this study. The chapter also covers discussions and schematically displays the process and complexity of developmental policy making.

## **Chapter 8**

This chapter delves into the emotive and thorny issue of the need for Emiratisation and the harnessing of expatriate labour to enhance the socio-economic development of Dubai. The demographic composition of Dubai and its implications for national development are also addressed in this chapter.

## **Chapter 9**

This chapter addresses the merits and demerits of Dubai's development model. Its social and economic achievements are explained in this chapter while it also addresses issues such as institutionalised racism; exploitation of expatriate labour; limited rights extended to the local and expatriate communities; lack of public participation in the political process and the right or not to citizenship as well as Dubai's over-dependence on foreign labour and foreign debt.

## **Chapter 10**

This chapter concludes the study by summarising the research findings and making suggestions for further research. A summative overview of the whole study, along with recommendations is provided, with the emphasis predominantly on issues that are of paramount importance to the future of the Dubai Model.

## **Chapter Two**

### **Trucial States: A Socio-Political and Geo-Economic Historical Background**

*The previous years were a testimony of the importance of the UAE Federation as a gateway toward a better life for our citizens and a means of achieving stability, advancement and prosperity in our country and realizing the dreams and aspirations of our people.*

*Former President of the UAE Sheikh Zayed Al Nahyan*

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#### **2.1. Introduction**

Globally, nation states have not evolved in a vacuum, and indeed, they cannot, but instead have rather evolved out of a series of interrelated socio-political and economic factors. It is against this background that Peck (1986:21) trenchantly and disconcertingly noted that “...the ancient history of what is now known as the ‘UAE’ and the Gulf as a whole remains largely conjectural and the absence of precise references in known historical documents and the remoteness of the area from earlier archaeological explorations preserved its secrets.” Strikingly, and in comparison to its early historical development Dhillion and Yousef (2009:1) write that “...in recent years, the Middle East has come to be defined by a series of dichotomies: democracy versus authoritarianism; Islam versus secularism; economically successful versus stagnation.” The former Trucial States, including Dubai, have evolved over the last 40 years as a glaring example of state led capitalistic development intertwined with a tribal neo-patrimonial form of socio-political system, supported by a modern bureaucratic structure.

This chapter recounts the historical background of the United Arab Emirates including Dubai, and in part sets the stage to answer the main research topic of this thesis, as stated in chapter one. The chapter is divided into eight major topics: Section 2.1 and Subsection 2.1.1 focus on the early inhabitants and political geography of the UAE including Dubai. Section 2.2 discusses the Ottoman influence in the Middle East. Section 2.3 looks at the arrival of the Europeans in the southern Gulf of the Middle East. Section 2.4 deals with an Overview of Dubai’s Historical Background.

Section 2.5 discusses the formation of the UAE and its Political Systems and the Structure of the Federal and Emirate Level. Section 2.6 explores the UAE's Federal Constitution and Institutions. Section 7 examines the Political Structure at the local/emirate level. Section 2.8 investigates the Socio-Economic Development of the UAE and Dubai while Section 2.9 provides a conclusion of the chapter.

## **2.2. Early Settlers of the UAE and Dubai (Bedouins)**

The seven Gulf Emirates (formerly known as the Trucial States) that compose today's United Arab Emirates emerged as political tribal settlements resulting from the migration of Arabian tribes which settled in some locations where sources of livelihood were available (Loath 2007: 8). Heard-Bye (2001:101) supports this description in noting that, "the ancestors of the tribal population in the GCC and the UAE in particular have not always lived in the region. They took possession of the land during successive waves of population movements that brought Arab tribes from Yemen via Oman, as well as by way of central and northern Arabia." It is the belief of some Middle Eastern historians that the Arab immigrants, upon arrival in southern Arabia, came into contact with the original people who inhabited the land and who were nomadic by nature.

...Many of the current population living within the present-day borders of the United Arab Emirates are descendants of Bedouin tribes, organized into a number of independent principalities (or emirates). Most have been ruled by a family from the 1800s until the present time (Nark 2010:6); a typical example is the 'Al Nathan' family that has been ruling Abu Dhabi uninterrupted from late 1700s (El Mallakh 1970:136).

### 2.2.1. Political geography:

The United Arab Emirates (territory: 83,600 km<sup>2</sup>) is situated on the eastern tip of the Arabian Peninsula and includes an archipelago of 200 islands which extends over approximately 5900 square kilometres (Simmons 2005:358, UAE Yearbook 2000/1: 27). In demographic terms, Dubai is the second largest of the seven emirates in the United Arab Emirates.

**Figure 2.1: Map of the United Arab Emirates**



**Source:** <http://www.memnav.com/w/maps/uae/>

A careful examination of *Figure 2.1* above shows that “...geographically, the UAE is surrounded by its two larger neighbours with Oman on the east Saudi Arabia on the south and west” (Foley 199:25). The UAE and “...Dubai in particular, is strategically placed and lies at the confluence of the ME, Asia, Western Africa and Central/Eastern Europe. It is in a bed of ancient civilizations, a birthplace of three major religions and a transit point for onward journeys” (Balakrishnan 2008: 63). It is important to note that the nation state of the United Arab Emirates and Dubai in particular were never ruled by a colonial power, due to fact that the UAE is a successor to the Trucial States.

### **2.3. Ottoman Influence**

Historical records revealed that,

...the Ottoman Empire exerted considerable influence over the Arabian Peninsula, present day Iraq, and parts of Iran (formerly known as Persia) from the sixteenth to the nineteenth centuries. During the second half of the nineteenth century, Ottoman influence in the Arabian Peninsula gradually dissipated under pressure from local tribes in the interior and as the Gulf and Peninsula coast came under British naval domination. Protectorate arrangements with local Arab rulers continued until the British withdrew in 1971 (EAAU, 2000:3).

More than one European power has been involved in the Gulf region during the last few centuries. With its strategic location on the route to India, "...the Gulf became inextricably linked with the commercial and political rivalries of western countries: Portugal first, then Holland and France, and finally Britain" (Zahlan 1989:4). The legacy of the British is evident in almost every tenet of national and local institutions.

### **2.4. Arrival of the Europeans**

#### **2.4.1. Portuguese era**

A review of historical records would reveal that Portugal helped to usher in what historians regarded as the Europe's second commercial foreign expansionism agenda. Thus, it was not surprising when:

"In the early sixteenth century, Portuguese traders presented the first European challenge for control of the region. In the seventeenth and eighteenth centuries the Dutch and British competed in the area for access to the sea trade routes and to local traders. The "maritime warfare" of the local traders or "piracy" (according to the British) frustrated British attempts to achieve dominance in the region and by

the late 1700s, the French threatened British aspirations" (Simons 2005:358).

The Portuguese arrival in the Gulf in the sixteenth century had bloody consequences for the Arab residents of Julfar and East Coast ports of Dibba, Bidiya, Khor Fakkan and Kalba. However, while European powers competed for regional supremacy, a local power, the Qawasims, were gathering strength (Al Abed et al. 2008:11). At the beginning of the nineteenth century they had built up a fleet of over 60 large vessels and could put nearly 20,000 sailors to sea, eventually provoking a British offensive to control the maritime trade routes between the Gulf and India (Ibid:11).

Within the span of its modern history the Gulf witnessed first the Portuguese explorers, then the British, French and Dutch trading companies (Section 2.3.1 refers), all of whom sought to establish exclusive trading monopolies in its waters. To the Portuguese period of hegemony in the waters of the Arabian Sea and the Gulf of Oman there succeeded an age when primacy in trade passed to the maritime nations of Northwestern Europe; above all, to England and the Netherlands (Rabi 2006:352). The establishment of the English and the Dutch East India companies in 1600 and 1602 respectively, foreshadowed the Portuguese eclipse in the Gulf and marked the ascendancy of the English and the Dutch there (Peck 1986:27).

#### **2.4.2. Era of Pax-Britannica**

In 1622, the English assisted the Persians in recovering Hormuz from the Portuguese and three years later combined with the Dutch to defeat Portugal's attempt to regain its position there. It follows then that the origins of the British presence in the Gulf stood in sharp contrast to the old saying that "trade follows the flag." Throughout the seventeenth century and much of the eighteenth century, the activities of the English East India Company in the Persian Gulf were primarily commercial (Peck 1986: 27-8; Rabi 2006 :352). This signalled the genesis of what this study refers to as an "*Anglo-*

*Arab-Persian” relationship* that is still inextricably intertwined and deeply embedded politically and economically in the southern Gulf of the Middle East.

The Qawasim, mainly land and sea traders, dominated what are today the emirates of Ras al Khaymah and Sharjah. The Bani Yas, who were agricultural and pastoral, lived in what are today the emirates of Abu Dhabi and Dubai. From the seventeenth to the nineteenth century, the area became known as the Pirate Coast, as both European and Arab pirates attacked foreign ships. The British mounted expeditions against the pirates during this period, culminating in an 1818 campaign against the pirates headquarters of Ras al Khaymah and other harbours along the coast. This action ostensibly was taken to safeguard British maritime routes, particularly those of the British East India Company, but some historians have noted that the war was in fact motivated by the British desire to establish supremacy in the region against the claims of other European powers (Federal Research Division 2007:2; Al-Otabi 1989: iv; Griffiths 2005:358).

The Trucial States (now the UAE) were increasingly absorbed into the British orbit by a system of agreements which successive British governments, first in Delhi and then in London, deemed necessary in order to best pursue their particular objectives of the day (Heard-Bey 2001:117). This has led to the enactment of a multiplicity of agreements that firmly legitimises the highly skewed *“Anglo-Arab-Persian” relationship*. The term “Trucial States” was derived in the 1850s from a Perpetual Treaty of Maritime Truce between several Emirs and the British (Al-Ali 2008:9, Musris-Abd Allah 1978: 249); the term was dropped after the sheikhdoms were granted independence from the British in 1971.

The 1820 General Treaty of Peace, Pax Britannica, records the agreement established with the British who signed a series of agreements with various rulers (sheikhs) designed to guarantee peace between Britain and the tribes and end the practice of piracy (Onley 2009; Griffiths 2005: 358). The 1820

treaty includes the first denunciation of the slave trade ever written into a formal treaty. However, this treaty did not, in practice, prevent regular warfare at sea among the tribes of the coast (Federal Research Division 2007:2). The subsequent maritime truces of 1835 and 1853 (Treaty of Maritime Peace in Perpetuity) brought an end to the flourishing piracy along the eastern coast as noted by El Mallakh (1970: 136). Referring to these historical facts, Onley is of the opinion “that the Treaty of Maritime Peace in Perpetuity essentially marked the coming of Pax-Britannica to impose itself as “guardian of the Persian Gulf” (Onley 2009: I). Since the signing of the “Perpetual Maritime Truce treaty in 1835 (to limit piracy on the seas), there has been a close link between Britain and the sheikdoms of current-day Arab Gulf” (Nyarko 2010:6).

This series of treaties put the Trucial States squarely within the clutches of the British and in part helped to established a relationship with Britain that would last up to independence in 1971 (Rabi 2006: 354). As one historian stated, the treaties between the Trucial States (Dubai included) were exclusive and far reaching in terms of the subordination of local sheikhs to the British political governance (Lootah, 2007: 8). These agreements were signed subsequent to the “defeat of the Qawasim tribal group, by the British who over time signed agreements with the sheikhs of the individual emirates, beginning in the 1820s. Later these agreements, augmented with treaties on preserving a maritime truce, resulted in the area becoming known as The Trucial States” (Al Abed 2008:12). Ironically, even though there were unequal power relations between the British and the locals in other words these sheikhdoms of the GCC, they were not colonies of Britain (Lootah, 2007: 8). In other words, the principalities or sheikdoms of the former “Trucial States” and the wider Gulf had become mere British protectorates.

Emanating from the presence of the British in the Southern Gulf is the artificial erection of “...border demarcation by the British in the nineteenth century; in which many of these borders are currently, being contested; for

example no defined borders separate parts of the UAE and Oman; Saudi Arabia and Yemen; and Kuwait and Saudi Arabia. However, progress in delineating these borders is being made” (EAAU 2000:3). In 1892, in what could be perceived as the most comprehensive and definitive “Exclusive Treaty,” Bahrain and the Trucial States agreed:

Firstly, not to enter into any agreement or correspondence with any power other than the British government. Secondly, not to allow any agent of another government to reside within their territories without the assent of the British government; and thirdly, not to sell, cede, mortgage or otherwise give for occupation any part of their territory, except to the British Government (Aitchison 1933:257 cited in Rabi 2006: 354).

Razvi has drawn attention to a significant point when he noted that “from 1820 to 1971, when Britain pulled out of the Gulf area, it was the strongest power in the region, and as such kept the Trucial States in almost total isolation until the early 1950s. Its main interest, of course, had been to safeguard the route to India, and it was not concerned with local conditions” (1993:664). This is similar to the experiences of some Indian Ocean islands that were colonies of Britain.

## **2.5. Overview of Dubai’s Historical Background**

Dubai is an emirate within the greater United Arab Emirates (UAE), located in the eastern part of the Arabian Peninsula (Ramos 2009:1). The origins of the name Dubai or Dibai or Dubbayy are uncertain. Some attribute it to a combination of the Farsi words of “two” and “brothers”, referring to Deira and Bur Dubai. Others say it was derived from the market named Daba or the spiny-tailed lizard, Dab once found in this part of the world (Saunders 2003:34). The historical narrative is both colourful and riddled with gaps, based on who is enunciating the chronology of events that have marked the emirate’s socio-economic and geo-political evolution. Ramos remarked that:

...to understand Dubai's modern history since its founding in 1833, one must go further back in time to explore the regional history that frames its foundation. European powers, beginning with the Venetians, and then subsequently, the Portuguese, the Dutch, and finally the British, were interested in the Gulf region as a means to secure trade routes to and from the Indian Subcontinent and points eastward (2009:1).

In contrast to Abu Dhabi, politics in Dubai has been relatively straightforward. Although a fishing village had existed on the site of Dubai Town since the 18th century, it only became independent of Abu Dhabi's Al Bu Falah in 1833 when another Bani Yas section, the Al Bu Falasa, seceded from Abu Dhabi and took up residence in Dubai (Peterson 1988:3-5). According to Fatma Salem (2010: 06), "the historical records of Dubai, suggest that the history of Dubai dates back to 1833 when members of the Bani Yas tribe took up residence at the creek in Dubai, a natural seaport."

However, it would be more logical and prudent to say "the city of Dubai was resettled in 1833 by approximately 800 members of the Bani Yas tribe" (Melamid 2009: 345). It is against this background that local historian Al-Rashid (1997) points out that "...the present day Dubai began in 1833, when a branch of Bani Yas tribe left Abu Dhabi (Capital City) led by Obaid bin Said and Maktoum bin Buti." The arrival of the Bani Yas tribe marked "the second phase of re-settlement to have taken place in Dubai since by the 1820s the area around the Creek had become a well established fishing and pearling community" (Saunders 2003:34).

Al- Rashid (1997:127) further noted "...Dubai, similar to other emirates has for more than one hundred years had successive rulers who have combined autocracy on one hand and patriarchal near democracy on the other hand; holding power under the principle of being first amongst equals and maintaining their positions by virtue of their accomplishments." Political commentator Jim Cranner (2009 December) in an interview with the BBC, concurs, in noting that "Dubai is a tribal autocracy which has been ruled by

the Maktoum family since 1883, without hitch or coup d'état; and during that time four USA presidents have been assassinated." In essence, "...Dubai is a monarchy governed by autocratic regimes with all power leaning leading towards a single person" (Henderson 2007: 35; Matly & Dillion 2007:1).

The branch of the Bani Yas confederation that split from the main group centred on Abu Dhabi and the Liwa oases and under the leadership of the Maktoum family led a bloodless coup with a group of 800 individuals, settling on the shore of the Khor Dubai in 1833 (Murray 2008:1; Lavergne, 2006:6). Similar to other Arabian Gulf States (AGS) and "...any Bedouin society, this was a hierarchical and patrimonial, but nonetheless fluid and so to speak a 'democratic' group, where power of the tribesmen was shaky. Often shifting between the major families, and where each family head had all possibility to quit [sic] the group to join another one, in case of disagreement over the policy implemented by the ruler of the day" (Lavergne 2006:6).

Thereafter,

...the Al-Maktoum dynasty was established in Dubai in 1836, with the associate monarchical intrigues of loyalty, lineage and succession. In spite of the overarching Trucial treaties, which focused principally on the sea peace, Dubai's tenuous status between the Qawasim and the Bani Yas required a mix of political cunning and natural luck to keep each group at bay from overtaking the fledging Dubai. Similar to the larger political intrigues of the previous centuries among the Portuguese, Dutch and British, the three factions frequently shifted allegiances for their own benefit (Ramos 2009:10).

## **2.6. Formation of the UAE and its Political Systems & Structure at the Federal and Emirate Level**

The British favoured greater cooperation among the Trucial States and in 1952, the seven sheikhdoms – Abu Dhabi, Dubai, Ajman, Fujairah, Ras al-

Khaimah, Sharjah and Umm al-Qaiwain – formed the Trucial States Council, which provided a forum for the discussion of issues of mutual concern and coordination (Simons 2005: 359). However by “January 1968, the Labour Government under Harold Wilson declared it could no longer afford the £12 million a year it cost to keep its forces in the Gulf and would be withdrawing its military by the end of 1971” (Saffoury 1970:104 cited in Onley 2009: 29). With the impending British withdrawal from the Gulf, the seven Trucial States, and, for a while, Bahrain and Qatar began negotiations in 1968 toward an independent union (Peterson 1988:2). However, in 1971, the Gulf States of Bahrain and Qatar, then still under British protection, opted for full independence as opposed to becoming a member of a federal system of government.

Following the British termination of their agreements with the Trucial States and their subsequent withdrawal from the Gulf, a federal state of, initially, six emirates, known as *Dawlat al Imarat al Arabiyya al Mutta hida* (State of the United Arab Emirates) or, more commonly as the United Arab Emirates (UAE), was formally established on 2 December 1971. Ra’s al-Khayma joined in February 1972, with Sheikh Zayed, who had been instrumental in its formation, and who became the federation’s first President along with Sheikh Rashid as his Vice President (Al Abed 2008 et al. 2008:12; Peterson 1988:2; UAE Yearbook 2000/1:71).

### **2.6.1. Political systems: federal level**

Any attempt to understand the political structure of the United Arab Emirates and the position of its public participation values, requires a deep search into the roots of the political structure of the seven Emirates: specifically into the tribal political structure, the position of political participation within it, as well as a return to the historical realities of this political structure (Lootah, 2007:8). The potency and centrality of Lootah’s comment is concurred to by Heard-Bey (2001:101) in stating that “...coming from the tribally structured and highly organised culture of Yemen, where a

sophisticated edifice such as the Marib dam was built and maintained, the immigrants in the UAE retained their tribal structures and community-building genealogies and legends.” We are also reminded by Lootah (2007:8) that:

...desert natural conditions that dictated a life of migration and movement generated, in turn, the tribal political system as a flexible and appropriate organization for the tribal process of continuous movement. Tribal political organization, though simple in nature, and although treated by some as a primitive form of organization, did not ascend to the level of state-formation, as mentioned earlier. However, it is considered the most appropriate form of organization for tribal life and its natural and social considerations.

Historically, the ruling tribal elites have held a monopoly of power in all of these Gulf States, a position buttressed by the availability of effective and loyal armed forces and internal security apparatus to quash any domestic challenge. In many cases the internal security forces include a large proportion of foreign nationals and exclude certain tribal or, in the case of Bahrain, religious factions from their ranks (Ehteshami and Wright 2007:914). The modern socio-political construct of the UAE has evolved into:

...a federal presidential partial monarchy as the president is elected from among the absolute monarchs who rule each of the seven emirates. The country ruled by His Highness Sheikh Khalifa bin Zayed Al- Nahyan who succeeded his father Sheikh the late Sheikh Zayed, in November 2004 (Grant et.al 2007:508).

The UAE’s political system, which is a unique combination of the traditional and the modern, has been a political success. Thus, enabling the country to develop a modern administrative structure while, at the same time, ensuring that the best of the traditions of the past are maintained, adapted and preserved (UAE Yearbook 2000/1: 71).

When, the rulers of the emirates met over four decades ago to agree on the forms of government for their new federal state. They deliberately chose not

to simply copy from others but, instead to work towards a society that would offer the best form of modern administration; while simultaneously retaining the traditional forms of government that, with their inherent commitment to consensus, discussion and direct democracy, offered the best features of the past (UAE Yearbook 2007: 47).

In essence, an alternative form of political governance emerged, in the structure of a power-sharing agreement brokered by the rulers of each emirate of the then newly formed UAE at a federal level. Political federalism was unfamiliar to, and an unprecedented mode of governance for, the former nomadic Bedouin tribes of the former Trucial States, when it was embarked upon in 1971. The political economy of the wider Arab world has not yet been able to embrace federalism as a form of governance.

### **2.6.2. Public participation**

The socio-political systems that have emerged in the Arab world may be described as non-representative or non-participatory, and despotism is a distinguishing feature of the region. Peterson (2006:9) writes, “...take the six member states of the Gulf Cooperation Council (GCC), they are ruled by monarchies with dirigiste governments; patriarchal rulers, and extensive ruling families occupy the upper echelons of these regimes.” The Arab Gulf States are among the least politically pluralistic regions and their leaders lack western style legitimacy, having political structures that are underpinned and sustained by the region’s geo-political, cultural and religious traditions. “...The Economist Intelligence Unit’s 2010 Democracy index scored all the Arab states as ‘authoritarian regimes’, except for Lebanon, the Palestinian Territories and Iraq, which are classified as hybrids” (EIU 2011: 6).

El Mallakh (1970:136) concurs, providing a typical example, by stating that “...Abu Dhabi's ruling family, the Al Nahyans, assumed authority in 1793; when Shakhbiut bin Sultan (1928-1966) spanned the years from poverty to

oil-based affluence until his replacement by his brother, Zayd bin Sultan.” The Al Nahyan family still governs Abu Dhabi and UAE in the capacity of the ruler of Abu Dhabi and president of the United Arab Emirates. Similarly, the countries of Syria, Oman, Yemen, Libya, Egypt and Yemen, (prior to regime changes that took place in the later four countries during the Arab Spring of 2011) have cumulatively had leaders who have governed these countries for over 150 years demonstrating a lack of broad-based power rotation and public participation; instead, revealing an entrenched dynastic succession of power.

The federal state of the UAE operates by means of a gentlemanly power-sharing arrangement between the seven ruling families. Abu Dhabi, by far the biggest emirate and the richest in oil, is dominant. It houses the federal capital, and its emir is the UAE’s head of state (www.economist.com: 2011). Schuster describes the machinations of the political process in the UAE in the following manner:

... Both at the national and local level, political power in the UAE is held above all by unelected senior members of the local ruling families. Political rule in the UAE is hereditary and succession plans have traditionally been drawn-up in advance. In 2006, the UAE government took a first step towards opening the political system when it held elections to fill half of the seats on an advisory body known as the Federal National Council. The FNC and its representatives continue to be dominated by Emirati elites (2011:1).

To summarise: the socio-political epistemology of the UAE and Dubai in particular, is deeply entrenched in patriarchal, dictatorial benevolence marked by political exclusion and dynastic transitions.

## **2.7. UAE’s Federal Constitution and Political Institutions**

### **2.7.1. Constitution**

Between 1971 and 1996 the UAE had a provisional or interim constitution, which was renewed every five years. In 1996, the seven emirates agreed to

make the constitution permanent, and accepted Abu Dhabi city as their capital (EIU 2006:11; Ministry of Energy United Arab Emirates 2006: 17).

The current constitution forms the basis of the political, judicial, social and economic organisation of the country (Rizvi, 1993:665). The UAE constitution states *inter alia*, the desire to form a sovereign and independent federal nation state. "...Article 1 of the current Constitution defines the UAE as a 'federal state'. Article 6 emphasizes that the people of the Federation are one people and they therefore enjoy, according to Article 8, one nationality" (Al Abed 2001: 139 in Al Abed & Hellyer 2001). The formation of the UAE represented a voluntary cession of powers by the rulers of the individual emirates to the new state. This decision was clearly spelt out in the provisional Constitution that was finally adopted in 1996 (Ibid: 139).

Based on the provisions of the constitution, "...power has been divided between executive, legislative, and judicial branches with legislative and executive powers being separated into federal and emirate jurisdictions. In addition, each emirate has its own local government, consisting of its own ruler, municipalities and departments. Each emirate retains a good deal of political and financial autonomy" (Ministry of Energy UAE 2006: 17).

The constitution also states in Article 116 that "the Emirates shall exercise all powers not assigned to the Federation by this Constitution." This was reaffirmed in Article 122, which states that "the Emirates shall have jurisdiction in all matters not assigned to the exclusive jurisdiction of the Federation, in accordance with the provision of the preceding two Articles" (UAE Yearbook 2009: 24).

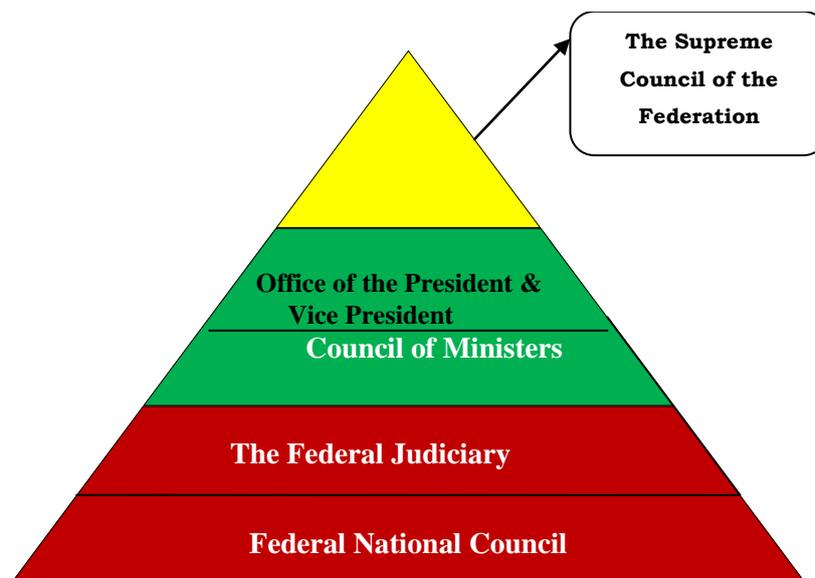
Territorial sovereignty and integrity of each emirate including Dubai is secured and guaranteed under Article 3 of the constitution; which states "...each member of the federation of the United Arab Emirates shall duly exercise sovereignty over their own territories and territorial waters in all matters that are not within the jurisdiction of the Union" (Al Abed 2001: 139 in Al Abed & Hellyer 2001). Article 2 of the UAE constitution stipulates that

Abu Dhabi shall be the capital of the federal state. The UAE is a confederation of individual sheikhdoms with constitutionally established federal institutions that will be discussed below. In summary, according to Simmons (2005:360), “...the constitution reflects a compromise between emirates in favour of a more centralized or integrated federation and those that preferred preserving the autonomy of the individual emirates.”

### **2.7.2. Federal institutions**

Article 45 of the constitution makes provision for “a federal system of government that includes a Supreme Council, the Presidency, a Cabinet, or Council of Ministers, a parliamentary body, or the Federal National Council, and an independent judiciary - at the apex is the Federal Supreme Court” (UAE Yearbook 2007:39). The federal system includes five bodies which do not have a full separation of powers: the Federal Supreme Council, the President, the Council of Ministers, the Federal National Council, and the Federal Judiciary.

**Figure 2.2: Constitutional configuration of the Federal Government**



**Source: Adopted from Al Darmaki (2008: 232)**

### **2.7.3. Supreme Council of the Federation**

The Supreme Council of the Federation (FSC) is the federation's highest authority, and is composed of the rulers of the seven emirates or of those designated to represent them. The constitutional power vested in the Supreme Council of the Federation is duly enshrined in articles 46-50 of the constitution of the UAE.

Under the above mentioned articles of the constitution, "the Supreme Council has exclusive executive, ratification, and legislative powers" (Al Abed 2001:134 in Al Abed & Hellyer 2001, DPADM 2004: 6). The Supreme Council is vested with powers to "...ratify federal laws and decrees, plans general policy, approves the nomination of the Prime Minister and accepts his resignation. It also relieves him from his post upon the recommendation of the President" (UAE Yearbook 2001:73). In addition, the Supreme Council elects the President and his deputy for five-year terms; both may be re-elected.

### **2.7.4. Council of Ministers**

The "...Constitution describes the Council of Ministers as 'The Executive authority of the Union,' and states that it is responsible, under the control of the President and the Supreme Council, 'for carrying out all the internal and external affairs entrusted to the Union' (Article 60). The Council of Ministers is charged with the following functions:

- (i) Following up the implementation of the general policy of the Union, both internally and externally.
  
- (ii) Initiating draft federal laws and submitting them to the Federal National Council prior to submission to the President and the Supreme Council for ratification and promulgation" (Al Abed 2001:137 in Al Abed & Hellyer 2001).

The UAE Yearbook (2001:74) states that “the Council of Ministers or ‘Cabinet’, as ‘the executive authority’ for the federation, includes the usual complement of ministerial portfolios and is headed by a Prime Minister, chosen by the President in consultation with his colleagues on the Supreme Council.” In essence, the Council of Ministers is similar, and tantamount, to a cabinet in western style democracies.

#### **2.7.5. The Office of the President and Vice President:**

According to Al Abed (2001:139-140), “The President and Vice-President are elected by the Supreme Council for a term of five years, which may be renewed, under the terms of Articles 51 and 52 of the Constitution. In the absence of the President, the Vice-President assumes his responsibilities.” “...The President is accorded a wide range of legislative and executive powers under the terms of the Constitution that can be divided into three categories:

- (i) Powers derived from his position as President, discharged by him alone.
- (ii) Powers exercised either through the Supreme Council or through the Council of Ministers.
- (iii) Powers exercised through the Council of Ministers” (Ibid: 140).

#### **2.7.6. Federal National Council**

The Federal National Council (FNC) was formed under the Provisional Constitution of the United Arab Emirates in 1971 as a permanent component of the country's governing structure (Gulf News, May 3, 2009). The FNC composes of 40 members with eight from Abu Dhabi and Dubai, six from Sharjah and Ra’s al Khaimah, four from Ajman, Umm al-Qawain and Fujairah (UAE Yearbook 2007:30).

The FNC in its formal structure is a consultative body, with the legislative authority actually residing with the Supreme Council and Council of Ministers. The Constitution devotes no fewer than 26 articles to describing the structure, functions, and prerogatives of the council; its powers are only advisory and it has, therefore, little capacity to affect the political process. Although the Constitution grants the council the power to approve, amend, or reject draft laws (Article 89), it makes clear that the Supreme Council is able to ratify, and the President issue, a law regardless of the FNC's action (Article 110) (Simmons 2005:361; Peck 2001: 153 in Al Abed & Hellyer 2001). In summary, "...the deliberations of the FNC can produce thoughtful critiques of draft legislation and also raise issues of broad public concern through the questioning of ministers. Yet, in its essential nature, the FNC resembles more closely a traditional consultative *diwan* or *majlis* than a modern representative body" (Peck 2001:153).

Since its inception, the Council has influenced the Federal Government to draft new laws. Original draft laws from the Cabinet were amended by the Council to suit the needs of the citizens which they represent. The history of the Council also shows that the majority of its recommendations and amendments have been adopted and included in laws promulgated by the government. An important element of the council is its specialised house committees, which examine draft laws and new rules (*Gulf News*, May 3 2009). Throughout most of its history, the FNC followed a practice of nominating all 40 members between 1972 and 2006, when 20 members of the current FNC were elected by an Electoral College in 2006, with the remainder nominated by the rulers of the respective emirates (UAE Yearbook 2010:30).

### **2.7.7. The judicial system**

The Constitution, first written in 1971 and reaffirmed several times since then, declares Shari'a to be the principal source for law in the United Arab Emirates (DPADM 2004:6). Generally it is applicable to all criminal and

family matters; however, in criminal cases the country's penal code may become applicable if there insufficient evidence as required under Shari'a law. Similarly, as with other countries around the world, "...the federal judiciary's independence is guaranteed under the Constitution, and comprises the Federal Supreme Court and Courts of First Instance. The Federal Supreme Court consists of five judges appointed by the Supreme Council of Rulers. The judges decide on the constitutionality of federal laws and arbitrate on intra-emirate disputes and disputes between the Federal Government and the emirates" (UAE Yearbook 2000/01: 78). The Court of First Instance contains three divisions: civil, criminal, and Shari'a. Marriage, divorce, inheritance, and more recently, drug offences and offences involving minors fall under Shari'a law jurisdiction. Dubai has a three-tier judicial system similar to the three federal levels (Consulate General of the United States, 2005 cited in Grant, et al. 2007: 510).

The judicial system of the UAE is also "...influenced by the Common Law and Egyptian legal traditions. Custom and tradition are also considered in judicial decision-making. The major codifications of the law are the Civil Code, contained in Law No. 5 of 1985; the Federal Penal Code, contained in Law No. 3 of 1987; the Law of Evidence in Civil and Commercial Matters, contained in Law No. 10 of 1992; the Code of Civil Procedure, contained in Law No. 11 of 1992; and the Code of Criminal Procedure, contained in Law No. 35 of 1992. The official language of the courts is Arabic" (DPADM 2004:6).

All Emirates have the right to maintain a separate court system, under the UAE Constitution. However, only Dubai and Ras Al Khaimah have done so. Dubai's legal system is founded upon civil law principles (most heavily influenced by Egyptian law) and Islamic Shari'a law, the latter constituting the guiding principle and source of law. In Dubai and other civil law jurisdictions, legislation tends to be formulated into a number of major codes providing for general principles of law with a significant amount of subsidiary legislation (Tarbuck and Lester 2009:7). It is important to note

that the judicial systems of the Dubai and Ras Al Khaimah cannot make judgments that are in contravention of the Federal Constitution to which they are parties to.

It is important to note that “there is no system of binding judicial precedent in the UAE, although decisions of the higher courts are of persuasive authority and lower courts would generally tend to follow relevant judgments issued by courts of higher authority” (Dubai Chamber of Commerce & Industry 2007:993).

## **2.8. Political Structure at the Local/ Emirate Level**

Parallel to, and interlocking with the federal institutions, each emirate also maintains its own local government (UAE Yearbook 2009:28). The relationship between the federal and local governments continues to evolve.

...As a result of the country’s rapid economic and social development since 1971, including an increasing population and rising educational standards, local governments in each emirate now seek to assume, or to re-assume, functions that had previously been assigned to the Federal Government, although not a federal responsibility under the terms of the country’s constitution (UAE Yearbook 2009:31).

Although the Constitution enumerates the legislative and executive powers of the federation, it also stipulates that all residual powers fall within the jurisdiction of the individual emirates, thus recognising their status in relation to the federal institutions. The separation of powers between the federation and its constituent emirates is thus of considerable importance (Al Abed 2001: 139 in Al Abed & Hellyer 2001).

A closer look at the working of the federal and local governments, both separately and combined, underlines the UAE’s unique amalgamation of the traditional and modern political systems that have guaranteed national

stability and laid the foundation for development (UAE Yearbook 2010:26). In the interest of national unity and political cohesion, the Constitution of the federation underpins and accords a degree of political “independence to individual emirates in pursuing an economic strategy based on their respective comparative advantages” (IMF 2005: 8).

Federal institutions are competently supported by local governments of the seven emirates. They vary in size, and have evolved over time with the growth of the country. However, their mechanisms differ from emirate to emirate, depending on factors such as population, area, and degree of development (UAE Yearbook 2010:31). The largest and most populous emirate, Abu Dhabi, has its own central governing organ, which is the Executive Council. Similarly, the Dubai Executive Council was established in 2003, with similar functions to that of Abu Dhabi’s Executive Council. Sharjah and Ajman have also Executive Councils. In addition to an Executive Council, Sharjah has established its own Consultative Council (Ibid: 31).

A similar pattern of municipalities, departments and autonomous agencies may be found in each of the other emirates. In smaller or more remote settlements, the ruler of each emirate may choose a local representative, an *emir* or *wali*, to act as a conduit through which the concerns of inhabitants may be directed to government. In most cases, these are the leading local figures, whose authority emanates both from the consensus of their community and the confidence placed in them by the ruler (UAE Yearbook 2010: 31).

## **2.9. Socio-Economic Development of Dubai in the U.A.E**

### **2.9.1. Overview of Dubai’s socio-economic history**

Dubai’s historical, developmental journey is similar to that of other sheikhdoms or principalities, being interwoven with that of the UAE: and the

relationship that exists between the federal state and the emirate of Dubai is in essence a symbiotic relationship which was formalised under the provisions of the 1971 tentative constitution. "...The UAE's general economic policies are based on the principles of achieving the citizen's welfare through the optimum use of available economic and financial resources" (Omiaira 2001:11). This collective, socio-economic development planning was necessitated by the formation of the federal state of the UAE in 1971: this is opposite of the principle of subjugation ethos that prevailed under the Pax-Britannica era.

Traditionally and prior to the discovery of oil, the inhabitants who lived in Dubai and other principalities were nomads and survived to some extent on agriculture and animal husbandry, while fishing and the pearl industry later became the dominant income sources; thus the economies of the former Trucial States were both socially and economically under-developed (Exportrådet 2007 cited in Fazal 2008:6; EAAU 2000:3). Ramos (2009:2) summarises by noting that "...Dubai has been marked by two distinct cultures namely: coastal settlements and Bedouin nomadic interior communities."

For many decades Dubai was a stopover for boats heading to and from Persia, India, China and East Africa. It was also the starting point of the great caravans to the West. Archaeological findings in the area confirm the historical importance of Dubai as a regional trading centre. Dubai has, in fact, since the early twentieth century been known as the "city of merchants" (Al-Sayegh 1998:87). Throughout the eighteenth and nineteenth centuries, the supply of Indian goods to the Trucial Coast depended mainly on the port of Lingah, on the Persian side of the Gulf, where British steam liners called regularly. Between 1873 and 1902 the bulk of Indian trade brought through the port of Lingah was redistributed by Dubai's merchants resulting in a settlement of Indian merchants at Lingah and other Persian towns, whose ports flourished (Al-Sayegh 1998: 89). However, when the

commercial strength of the Persian coastal towns began to drastically decline as a result of the Persian policy of encroaching on the Arab tribes and of the imposition of high taxes, this changed. Taxes reached 400 per cent on some goods and the trading post of Lingah slid from prosperity to relative obscurity in a very short period of time. Many Arab and even Persian merchants began to leave Lingah to settle in Dubai, bringing with them their trade and businesses, their shipping experience and craft skills (Ibid: 89).

Over the course of the 20th century, Dubai's trade-based economy received additional significant boosts as a result of the political complications and severe development obstacles of its closest neighbour, Sharjah. In the 1930s, for example, the Al-Shamsi family of Sharjah, was led by Sheikh Hadif. Frustrated by the ruling Al-Qasimi family's reluctance to allow the British to develop the Hamriyy beach area to facilitate the unloading of vessels, he chose to move his entire family to Dubai (Davidson, 2007:36). As the richest of the pearl fisheries in the Gulf lay between Qatar and Dubai, the port of the latter became a centre for provisions and pearl marketing; an economic factor which added to the socio-economic importance of Dubai during this period (Al-Sayegh 1998:89).

### **2.9.2. Dubai: rapid socio-economic transformation**

The socio-economic landscape of Dubai changed when, "the pearl trade took a beating during the Wall Street crash of 1929, and later with the introduction of Japanese cultured pearls. These were sleepy places until the discovery of oil in the late 1950s and early 1960s" (Nyarko 2010: 6). Oil revenues simplified the capability of undertaking various projects in order to promote economic growth (Exportrådet 2007 cited in Fazal 2008:6).

The discovery of oil in 1966 marked an important era and turning point in the history of Dubai ushering in a new era of business activities in the emirate's history (Selem, 2010). Dubai's ruler, "...Shaikh Rashid Bin Saeed Al-Maktoum used the proceeds from the oil for investment in institutions,

physical infrastructure, schools and hospitals with the vision of enhancing Dubai's socio-economic development" (Salem, 2010). Pacione remarked that "over a period of half a century the city state of Dubai has progressed from pre-industrial to industrial to post-industrial status. Change is evident in the economic, social and cultural characteristics of the city and, most visibly, in the scale, pace and nature of urban development" (2005:255). The platform for Dubai's extraordinary transformation was laid when "in 1958 the grandfather of Sheikh Mohammed bin Rashid, Dubai's current ruler, borrowed £500,000 from oil-rich Kuwait to dredge the silted-up creek and allow larger ships to anchor" (Kerr and Khalaf, 2009).

The city-state of Dubai has developed dramatically over the last three decades, becoming a major business and tourism centre and with a more dynamic and diversified economy. It is now the largest re-exporting centre in the Middle East and a regional hub for a wide range of businesses and industries (Abdella, 2009:1).

...In many respects Dubai typifies the way in which Gulf cities have developed over the past two hundred years. Many have grown rapidly from small merchant communities to thriving commercial centres. In fact Dubai owes much of its prosperity and development to its merchants who played a key role in restructuring the economy and in the government decision making process. As the main contributors to the economy, they played a fundamental role in implementing economic and political reforms, and were the driving force behind Dubai's development in the pre-oil era (Al-Sayegh 1998:87).

Overall, Dubai's approach to economic development has been remarkably similar to that used in many Asian countries, including Singapore. There is a pragmatic balance between the role of the state and the private sector. The state is very active in the economy as a large proportion of GDP is generated by state controlled enterprises (Orchard 2005:2). The first element to consider is that Dubai has, from its inception, been considered by its rulers as an economic tool before anything: hence the term "Dubai Enterprise",

attached to it from the time of late Shaykh Rasheed (reigned 1959-1990), one of the firsts of a long line of Amirs of Dubai, who made its ambition come true. Dubai has been seen as a profit-making business, rather than as a cradle for a local or imported society, or before being considered a city (Lavergne, 2006:263).

In summary, Ortega (2009:9) notes that “the current tribalist trajectory of Dubai’s economic policies closely resembles the historically pertinent ruler-merchant bargain. The broader model is termed the ‘ruling bargain’ and describes the basic relationship that exists not just between rulers and merchants, but between rulers and all of their citizens.” The economic development of modern Dubai has evolved and been shaped by a multiplicity of internal and external factors, amongst which was “the role Dubai played as an international commercial ‘entrepôt’ since the late 1880s” (Elsheshtawy 2004:177).

### **2.9.3. UAE’s (Dubai’s) social development overview**

Social development has been a primary, major focus of the UAE Government since the formation of the federation. All available resources have been harnessed to provide an advanced social infrastructure, especially in education, health and social welfare (UAE Yearbook 2001/2: 197). It has been noted by Khoury (1980 cited in Davidson 2005:159) that the:

...UAE including Dubai has made social growth another of its major priorities; in particular education and healthcare have been regarded as a key socio-economic building block. A comprehensive welfare system has been seen as the necessary foundations for the creation of a healthy and happy society in which every individual can vigorously contribute to U.A.E’s future development.

As late as 1950, Dubai was a city of huts and unpaved streets. In 1970, literacy rates hovered just above 20 percent. Only a fraction of the mothers

of today's college students had graduated from high school, and that fraction was only slightly higher for their fathers (Walters 2006:78). The social malaise described by Walter was not dissimilar to the experiences of other societies in the wider Arab world.

The 21st century social landscape of "...the UAE is by many standards a contented place. Its citizens, who account for less than a fifth of the country's 8.2m residents, are among the world's most pampered. The population enjoys generally a cradle-to-grave welfare; lavished by the oil-rich state and the advantage of what has long been the Gulf's most open and tolerant way of life" (www.economist.com:2011). This is due in part primarily to Articles 14 and 17 of the constitution that decree free education and medical care as they are deemed fundamental to the social development of the federal state. "...UAE citizens who are entitled to monthly social benefits include widowed national and divorced women, the disabled and the handicapped, the aged, orphans, single daughters, married students, relatives of jailed dependants, estranged wives: the society's most vulnerable and insolvents" (UAE Yearbook 2006:222).

It is evident that the political governance ethos of the UAE emphasises the "social and human dimension of development and thus the United Arab Emirates (UAE) has dedicated its efforts for several decades to providing its people with economic and social services and thus has raised their standards of living to some of the highest in the world" (UNDP & UAE Ministry of Planning 2007).

## **2.10. Conclusion**

This chapter discussed the historical journey of the Trucial States in the Southern Gulf that developed into the United Arab Emirates, which included Dubai in particular, from the 15<sup>th</sup> century. The major aim of the chapter was to review the socio-economic and political history of a group of principalities that evolved into the dynamic nation state of the UAE. The chapter also

aimed to provide a background to the UAE's socio-political epistemology that is deeply embedded and entrenched in a culture of historically tribalistic tendencies, colonial hegemonic rule and the unnatural confederation of individual sheikhdoms. This chapter assists in informing and shaping the way the main research topic of the thesis is investigated and answered. In order to appreciate the socio-economic progress of the UAE and Dubai in particular within the last 10 years, it is imperative that a profile of the emirate's historical transition from a traditional society to a modern nation-state is reflected upon.

## **Chapter Three: Re-Contextualizing Dubai's Development Discourse: A Literature Review**

*“Development is the most important challenge facing the human race”  
World Bank, World Development Report 1991*

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### **3.1. Introduction**

This chapter aims to review the body of literature on Dubai's socio-economic development trajectory and contextualize it within development studies discourse. Kingsbury states “the idea of development is central to the processes by which countries, particularly poorer countries, organize themselves” (2004:10). According to Newman (1996:57), cited in Cowen & Shenton (1996), “...the idea of development had been invented to deal with the problems of underdevelopment and social disorder in the 19<sup>th</sup> century Europe through trusteeships.”

In investigating the issue of development or the lack thereof in Dubai, there is a volume of literature that discusses the socio-economic transformation of the city-state, from a business and spatial angle or perspective; however there is a paucity of writings within the development studies discourse and development paradigms. The available literature varies significantly in approach and emphasis as authors tend to specialize in individual business or macro-economic topics. There is little structured research and much of what is written tends to explain the boom period of the UAE and Dubai in particular. In essence, there has been little academic literature written on socio-economic development that contextualizes Dubai's development trajectory within specific development paradigms.

This chapter is divided into *five* main sections. Section 3.2 covers the thorny issue of regional geo-politics, while Section 3.3 deals with the equally contested issue of the politics of development and seeks to provide an overview of the correlation between government and development. Section

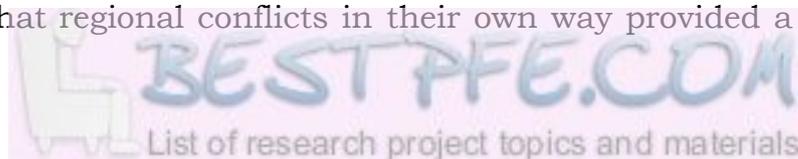
3.4 and its sub-sections deal with some thematic issues that encapsulate Dubai's trajectory and journey. Section 3.5 provides an insight into the oil-curse theory and how Dubai was able to avoid it, whereas Section 3.6 analyses some of the development theoretical deficit that beset development theories and Section 3.7 concludes the chapter.

### **3.2. Geo-politics of the Region**

The geo-politics of the region has been plagued with ongoing conflicts since the 18th century, starting with the decline and the eventual collapse of the Ottoman Empire and the subsequent creation of colonial regimes (Dahi and Demir 2008:7). Similar to the artificial carving up of sub-Saharan Africa, borders in the region were "...drawn based on politics by the former colonial powers rather than historical, cultural or ethnic backgrounds or social consensus that led to subsequent ethnic and religious civil conflicts" (Dahi and Demir 2008:7). Shah (2011) makes a profound and undeniable observation in noting that:

... oil, is fundamentally what the modern Middle Eastern geopolitics have been about. Given the vast energy resources that form the backbone of western economies, influence and involvement in the Middle East has been of paramount importance for the former and current imperial and super powers, including France, Britain, USA and the former Soviet Union.

Regional geo-politics, including the prolonged Indo-Pak impasse, instability of Afghanistan, civil disturbances in Iraq, an increasingly power hungry Iran and the failed state of Yemen, have all played a fundamental role in the shaping of Dubai's development policy. Ramos (2008) explains that "...the Iranian Revolution in 1979 and the conflicts between Iraq and Iran in the 1980s have solidified Dubai's geographic position in the Southern Gulf." He further states "that regional conflicts in their own way provided a degree of



economic stability for Dubai and thus spurring increased regional trade through its port.”

**Figure 3.1: Political Geographical Map**



**Source: World Atlas cited in Shah (2011).**

Dubai (UAE) is situated as shown above in *figure 3*, by the orange arrow in a sensitive geo-political region and is therefore exposed to the prevailing turbulence in the Middle East (Henderson 2007:35). Against this background Davidson (2008) observes that “...Dubai is between a rock and hard place, surrounded by extremely unstable neighbors and the elements within them which must be appeased.” The historical roots of the region’s unstable geopolitical situation predate “...the discovery of oil, as the region had been a hotbed for religious conflict and wars over other rich resources and land” (Shah 2011).

The declining Ottoman Empire paved the way for the rising European imperial and colonial powers who were interested in securing various territories and controlling access to Asia. In more recent times, interest in the region has been due to the energy resources there (Shah 2011). The two Gulf wars and other proxy wars have demonstrated that Shah is correct in his analysis.

Dubai was supposed to be the antithesis of Palestine. It was designed to create a concrete Utopia that would encourage all young Arabs to forget about their political aspirations and dreams. Dubai carefully steered away from all the issues that alarmed and agitated Arab public opinion. Against this background Dubai and the other six emirates which comprise the United Arab Emirates made sure that they operated within the realm of US foreign policy priorities (AbuKhalil, 2009). In many respects Dubai represents that antithesis of Palestine; however, in the months following the advent of global financial crisis, the soft underbelly of the city was exposed, and it became a place that people ran from, as opposed to running towards it.

The nature of regional geo-politics has fundamentally played a defining role in informing the nature of the city's cohesive and integrated development policy instruments; which were designed and implemented by the Dubai Government to achieve targeted levels of economic growth and development. The unpredictable and untenable geopolitics of the Middle East paradoxically has been a blessing for the city state of Dubai. Chancellor (2005) notes that:

... In many complex and surprising ways, Dubai actually earns its living from fear. Its huge port complex at Jebel Ali, for example, has profited immeasurably from the trade generated by the US invasion of Iraq, while Terminal Two at the Dubai airport, always crowded with Halliburton employees, private mercenaries and American soldiers en route to Baghdad or Kabul, has been described as 'the busiest commercial terminal in the world' for America's Middle East wars.

Post-9/11 developments have also shifted global investment patterns to Dubai's benefit. Thus after al-Qaeda's attacks on America, the Muslim oil states, traumatized by the angry Christians in Washington and lawsuits by WTC survivors, no longer considered the United States the safest harbour for their petrodollars. Panicky Saudis alone are estimated to have repatriated at least one-third of their *trillion-dollar* overseas portfolio. Although nerves are now calmer, Dubai has benefited enormously from the continuing inclination of the oil sheikhs to invest within, rather than outside, the region. (Chancellor 2005: Cited in Davis 2006).

To summarize Chancellor's central arguments, it is appropriate and politically correct to say that Dubai earns its' living partially from the geopolitics of regional anarchy.

### **3.3. Politics of Development**

The primacy of politics in development, that is to say, the central and dominant variable determining not only the conception and shape of development, but developmental success or failure in societies, is their politics. Politics is not simply important, it is crucial for both understanding and promoting development. It is widely acknowledged that politics plays a central role in influencing economic development and that it is illusory to conceive of good governance as independent of the forms of politics and type of state which alone can generate, sustain and protect it (Leftwich 2000:4; Uphoff & Ilchman 1972:76; Leftwich 1994:363).

Researchers are reminded by Sholkamy (2012:94) that "...for decades, development paradigms and programmes have adopted the values of human wellbeing and dignity which is both profoundly political projects, while at the same time pretending that development is an apolitical venture." The researcher fully agrees with Sholkamy's analysis and would go further by stating unequivocally that colonial powers used local and western NGOs, along with international donor agencies, as proxy political institutions to

distribute development funds, and strengthen local civic institutions. The result of the process is an undermining of the sovereignty and capacity of the recipient state.

The political nature of the process has led McMicheal, with whom I concur, to point out that:

...Development as an ideal and practice has always included: a power equation, to improve the lot of humankind and to govern in the name of developing a nation-state, its institutions, its resources, technology material wealth, individual opportunity, and so forth. As such, development is a tool for those in power and their legitimacy, so growth and expanding opportunity (2010:15).

Without negating the potency of McMicheal's argument above, there have been "...numerous tectonic shifts that have shaken the foundations of development paradigms over the last half a century which have had far-reaching implications for development policy formulation and implementation" (Levy 2011:60). Literature on Dubai's socio-political history points to a correlation between the role of the state and development in the emirate and the UAE in general. The major shifts in the domination of development paradigms from Marxism to Neo-liberalism did not stymie the development agenda and pragmatic role of the Dubai Government.

The politics of development in Dubai is summarized by Al-Tamimi (2007:3) and the Moody's Report of 2008, which collectively noted that "the Emirate's development rests on a centrally coordinated approach to state run and state led capitalism." Dissimilar to other countries, the politics of development in Dubai is not directly influenced by Western international foreign policy and or a single party's political hegemonic agenda, but instead from within the boundaries of the sheikdom. Unlike other developing countries, "the language of democracy that dominates development circles in the rhetoric of 'civil society' and 'good governance' dogma or structural

adjustment programmes” (White 1996: 142-144) do not apply to Dubai specifically and the UAE in general.

### **3.4. Development Trajectory of the Arab World**

The Arab region is currently generating unprecedented wealth and creating new generations of wealthy citizens; and for the second time in half a century, rapid economic expansion is underway, fuelled by high oil prices and growth in related sectors (Ibrahim, 2008:1 *in* Ibrahim & Sherif 2008); as witnessed in Qatar, Oman, Saudi Arabia and the UAE. However, paradoxically, the unprecedented wealth is evinced by a “region that is facing significant multidimensional development challenges that profoundly affect social, economic and living conditions of the citizens” (UNDP, 2003; Mahjoub et al 2010:05). The Arab Human Development Report (2002: v) noted that “...some of the challenges comprise inter alia, high illiteracy rates, the deterioration of education, gender inequality, rampant poverty and mounting unemployment rates.”

Politically, the Gulf States, and the Arab world by extension, “depict[s] images of a society that is inward looking, docile, undemocratic and repressive” (Kumar 2006: 3). However, in recent times the Arabian world has emerged from some of its socio-economic challenges and has experienced exponential growth and development, especially the six member Gulf States. This is in stark contrast to what Al- Ansrawi noted two decades earlier: “...that all Arab states regardless of the nature of their individual resource endowments, share the usual characteristics common to all developing countries” (1986:19). It should be noted that some of these characteristics or development gaps are still visible in many Arab states, thus serving as the springboard for the so-called Arab Spring which engulfed the region in 2011. In addition, regional political and development challenges are well documented in the annual publications of the Arab Human Development Reports and even though this thesis does not concur with various aspects of

the analyses articulated, there are merits to aspects of the report's areas of focus.

The UAE's general economic policies are based on the principles of achieving the citizen's welfare through the optimum use of available economic and financial resources (Omiaira 2001: 11). This ethos of the UAE government is not mere rhetoric, but has been translated into increasing federal budgetary allocations that are aimed at creating a quasi-welfare state. The political elites of the UAE "...believe strongly in the social and human dimension of development and thus the United Arab Emirates Government has dedicated its efforts for several decades to providing its people with economic and social services (social welfare, healthcare and education), and thus has raised their standards of living to some of the highest in the world" (Al Qasimi 2007: 1).

The UAE state is faced with some major challenges, irrespective of the progress since the formation of the union in 1971. In a joint UAE/UNDP *Millennium Development Goals United Arab Emirates Report of 2007*, the Minister of Finance of the UAE Skeikha Lubna bint Khalil Al Qasimi highlighted that "there are some major challenges that are still facing the state in the development field" Some of these are outlined below:

...to work on diversifying sources of income and expanding the production base, so as not to depend primarily on crude oil production and export; to further activate the role of the private sector as an important and effective partner in the development process; in addition to transferring and owning of technology, and developing national human resources to perform their full role in the development process (Al Qasimi 2007:4).

Since the report's publication in 2007, immense progress has been made in the areas of technology transfer, diversification of the economy into a number of sectors (including tourism, solar energy, healthcare and light

industries) and the nationalization (Emiratization) of the labour force. However, like many other proponents of the 'Dubai Inc Model', Sheikha Al Qasimi failed to recognize the countless number of unsung heroes and heroines from over 120 countries who have contributed their human capital to the process of national development in Dubai and the UAE generally. Hundreds of thousands of construction and hotel workers for instance have been the recipients of some of the most horrendous sub-human treatment conceivable that can be meted out to any human being (*see chapter nine*). The section below will expound on the nature of the literature that describes Dubai's transformation.

### **3.4.1. Literature that describes Dubai**

Little (2007) in her thesis entitled *Understanding the Economic Development of Dubai* states that "the literature regarding Dubai can be divided into two general categories, literature that describes Dubai and literature that explains Dubai." On that basis Hvidt (2007) articulates the concern that "as the developmental process unfolds in Dubai it has only received cursory reports in the news media, news oriented magazines and business literature, therefore only fragmented information is available." But there have been recent exceptions where a number of social science-based but historically oriented academic publications have emerged e.g. (Al-Sayegh 1998; Al-Abed and Hellyer 2001; Davidson 2005; Davidson 2007 cited in Hvidt 2007; Ali 2009).

Subsequent to the expressed observation documented in Little's thesis (2007), a body of literature has emerged analyzing the rise of Dubai on many individual topics, such as tourism, construction, economic growth, GDP per capita, rate of unemployment, women's empowerment, real estate and construction and spatial development. This, in essence, is capturing fragmented macro-economic variables/indicators, emanating from the transformation of the emirate. By way of examples: Henderson (2006 & 2007) explains Dubai from a purely tourism development and historical

evolution perspective. The verbosity of debates concerning Dubai's socio-economic development has not been encapsulated or reflected within a development theory or model and tends to fall outside the parameters of development studies discourse. Visibly lacking from the discourse is the fundamental role of key political institutions in facilitating and fostering the successful transformation of a traditional, primarily production based economy into a 21<sup>st</sup> century service driven economy that is fully integrated into the global economy.

It has been the observation of the author that the political economy and sociology of Dubai's development have been documented and analyzed from the perspective of the efforts of the Government of Dubai. Similarly, it is the view of many observers and analysts that the literature describing Dubai is selective and unbalanced and thus permeates misconceptions on the perspectives of socio-economic development in Dubai and by extension the six member states of the Gulf Cooperating Council (GCC).

#### **3.4.2. Dubai economic diversification strategies**

Shediac & Abouchakra et al. (2008), Sekwati (2008) and Doner, Ritichie and Slater (2005) note that a:

...strong, growing, sustainable economy is the goal of every nation in the world. Having a diverse economy—that is, one based on a wide range of profitable sectors, not just a few—has long been thought to play a key role in a sustainable economy. Resource dependent economies are prone to systemic vulnerability from external shocks due to commodity price fluctuations and thus diversification is of fundamental importance given the experience resulting from the recent global economic downturn.

Academic literature on economic diversification and oil price fluctuations would appear to dictate that the UAE, including Dubai, should embark on a process of reducing its' over dependence on hydrocarbons. The leadership of

this oil-rich state is fully cognizant, it would seem, of the oil-curse theory, the finite nature of oil production and the resultant economic consequence of being totally dependent on petro-dollars.

Andrew Leistensnider in a seminal piece on the economic diversification efforts of the United Arab Emirates (UAE) notes that:

...From a microeconomic perspective, firms diversify their products into, investments, and ventures into different sectors in order to preserve stability. Each sector is a gamble, but the others serve as a type of insurance policy that guarantees an avoidance of a complete calamity. For the Middle East including Dubai this can be equated to not basing an entire economy on oil reserves, but instead diversify into different non-oil related economic activities (Leistensnider 2008:99).

This study concurs with Leistensnider, on the basis that an in-depth analysis of the UAE's and Dubai's economy in particular will reveal that the Government of Dubai has diversified its economy away from its dwindling reserves of hydrocarbons and subsistence farming into tourism, banking and finance, retail, aviation and is now a hub for re-exports. In fact, Dubai is the world's second largest hub for re-export; coupled with the fact that Dubai's economic diversification has been premised on an orgy of development projects which has helped weaned Dubai off hydro-carbon revenue.

Dubai is the federation's second largest emirate and its leading player in terms of both economic strength and its political influence. It has emerged in recent years as a financial and commercial centre of global repute. Although its oil production has fallen and is now very small compared with its neighbour Abu Dhabi, Dubai has replaced that source of wealth with a booming service-based economy that depends heavily on tourism, construction, telecommunications, media, real estate and financial services

(EIU 2006:6). The city-state of “...Dubai is the epitome of the UAE’s economic diversification, primarily leveraging its strategic geographical location and a highly liberalizing government with proactive market-oriented economic policies for diversification away from oil dependence” (Pradham 2009: 11)...; this transformation is remarkable given that the pre-oil (al-Sayegh 2001:26), political economy of Dubai was dominated by the pearling industry.

Dubai has defied conventional theoretical constructs which posit that “if a country is seeking rapid development, and to escape the grips of poverty, oil is certainly not a blessing. Oil dependent states have performed 1.7% worse in terms of economic growth than non-oil states in recent years,” according to Christian Aid ([www.christian-aid.org.uk](http://www.christian-aid.org.uk) cited in Schubert 2006:5). Using the 1996 Dubai Strategic Plan (DSP); as a platform from which to establish the parameters of the city’s social and economic development in which five key sectors were targeted. Helmond & Bas (2007:2) states that “...Dubai’s new economic development activities were clustered around key sectors that were initiated by the Dubai Government.” The machination of economic clustering will be elaborated upon fully in chapter seven that deals with the ‘Dubai Inc Model’.

Fazal opines in her thesis that:

...The Dubai economy is at present not dependent on oil. However, the independence is not a coincidence but a planned strategy. The government realized early that its access to oil is temporary and therefore it gradually moved the focus towards other sectors where comparative advantage could be found. The change of direction from a major reliance on the oil-sector to diversification is believed to compensate for the relatively lower oil revenues in the future (Fazal 2008:7).

The researcher would like to posit the view that the diversification of Dubai’s economic base is not necessarily intended to reduce its concentration, in

terms of the hydrocarbon contribution to the emirate's gross domestic product (GDP) and by extension its diversification quotients. Instead it was designed to off-set its depleting oil reserves and to develop a new political economy in the city.

Economic diversification of Dubai hinges on the policy prescriptions of Dubai's Strategic Plans (1996, 2010, and 2015) that would be spearheaded by a raft of well administered government related enterprises (GREs). The IMF (2011: 19) agrees in reiterating that "...GREs have contributed significantly to economic diversification, but the global financial crisis has highlighted the risks they pose." GREs of Dubai span sectors such as tourism, real estate, aviation, free zones, and banking and finance. Empirical evidence has pointed to the direct correlation between economic diversification and national development. Literature on development would point to the transformation of the former Newly Industrialized Economies (NICs) and Dubai, to be based on the design and effective implementation of policies that act as catalysts for economic development.

### **3.4.3. Gender and development**

The status of women and the process of socio-economic development are correlated, but the nature of the association has been the subject of considerable debate (Moghadam 1992:2), especially in the conservative societies of the Middle East. "Gender analysis, once confined to the margins of development theory, has over the last ten years penetrated both the thinking and the operations of international development institutions" (Miller & Razavi, 1998:4 in Reeves & Baden 2000:6); thus development strategies need to be informed by an analysis of gender relations and intended to support women (Reeves & Baden 2000:6). However, in the patriarchal society of Dubai, the notion of gender in development may be rejected as a form of "cultural imperialism" (Moore 2001), and religious heresy.

There is tacit or overt support for Reeve and Baden by Dr Mansori of the Hamdam-E-University in Dubai, who made an uncharacteristic comment: “...No society can totally develop and flourish without the full participation of women. Women in the Gulf region need more empowerment and involvement” (Mansori 2011 Interview).

Furthermore,

The UAE leadership is committed to empowering women and utilizing their skills in our growing economy. This commitment is enshrined in the Constitution through guarantees for gender equality and social justice, as well as gradually evolving legislations that are striving to maintain the balance of modernization with our cultural heritage and Islamic beliefs. Women’s rights in the UAE are not only enshrined in the UAE constitution, but the UAE is also a signatory to the United Nations Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW) which is an international benchmark for high standards of non-discrimination (Gargash 2009).

In the UAE and Dubai in particular: “...women have the rights of work, social security, ownership and business management. They also enjoy education, health and social care, equal salaries to men, as well as maternity leave, which is guaranteed by the civil service law” (<http://gulfnews.com/news/gulf/uae/fatima-lauds-women-s-role-in-uae-s-development-march-1.520333>). In spite of the constitutional guarantees empowering women, this fundamental pillar of development has escaped the notice and thinking of political scientists, social commentators and geo-economists who write on the Middle East. This is a profound weakness in the literature being written on Dubai and the United Arab Emirates in general. Gender development is a deeply enshrined objective of the development process and it seeks to improve the socio-economic status of all citizens, including women. This thesis key criticism of the discourse surrounding the involvement of Emirati women in the development process has to do with the focus placed on the seeming exclusion of local women as

opposed to how they have been deployed productively within the national economy.

Development practitioners and policy-makers across the region have glaringly ignored the gender component in development; and thus development policies and strategies in the Arab world should seek to emulate how Dubai focuses its attention on liberating the productive capacity, and simultaneously encapsulating the rights, of women within the legal framework of its individual society. In essence the rights and empowerment of women must be protected under the remit of the constitution or individual pieces of legislation/s.

#### **3.4.4. Dubai as a late developer**

The process of development occurs across countries at different times, with some countries developing relatively early and others developing much later. Countries differ, however, in the timing of their development. Some countries, the early-bloomers, reach their steady states before other countries, the late-bloomers, begin to develop (Atkeson & Kehoe 2000:1). Late developers traditionally manage the tasks of catching up economically via increased state management of the economy to direct resources from consumption to investment, and by developing institutions to foster growth that elsewhere proceeds organically (Adshead & Robinson 2009:1). Dubai has been able successfully to execute an admixture of policies such as those articulated by Adshead and Robinson.

At the turn of the 20<sup>th</sup> century, Dubai was on the periphery of the global economic system. Its politics was at best tribal, patriarchal and authoritarian, coupled with a *relatively* thriving economy that was supported by trading, pearling and other primary products. Unlike Western countries, Dubai started off the 20<sup>th</sup> century as a 'late developer'; only upon the discovery of oil in 1966 did a process of semi-industrialization around the political economy of oil begin. Similarly, the emirate did not experience

the process of *primitive accumulation* as was the case of Europe. A study of late developers' literature and the socio-economic history of Dubai confirm that the city state is indeed a late developer. Unfortunately, the political economic, socio-cultural and technological goals and achievements of Dubai remain on the periphery of late developer discourse in academic circles.

According to Jacobsen (1994:8), "laden with the advantages of backwardness, new nations followed the 'attribute checklist' necessary to hasten industrialization, which typically included: a bureaucracy working in Weberian efficiency, a transport and communication infrastructure, a foreign exchange surplus, a light consumer-goods industrial base, land reform undertaken to enhance agricultural productivity and to fill factories as the nation urbanizes." Jacobsen was describing Dubai in the immediate post-Britannica era; by extension, it is no wonder Chaudhry (1993) and Waldner (1999) cited in Adshead & Robinson (2009:2) commented that "...late development and state building frequently go hand in hand because state building is either needed as a precondition for economic growth or accompanies it and is undertaken to support it." This researcher fully concurs with Chaudry and Waldner as these pre-conditions negated the threat of post-colonial dependence on the United Kingdom by the former crucial state of Dubai after 1971.

The literature on late development suggests that late developers can manage the tasks associated with "catching up" through good husbandry of the state's resources for economic growth (Adshead & Robinson 2009: 18). Dubai, similar to Ireland and the former Asian tigers, has a dirigiste government that uses rent-seeking from oil production to hasten its entry into the international political economy. The social and economic development of Dubai cannot be explained by merely using macro-economic variables; instead, one has to understand its trajectory of historical development, the state and its relationship with the society and the local economy and how that process determines the socio-economic and political framework of the city state.

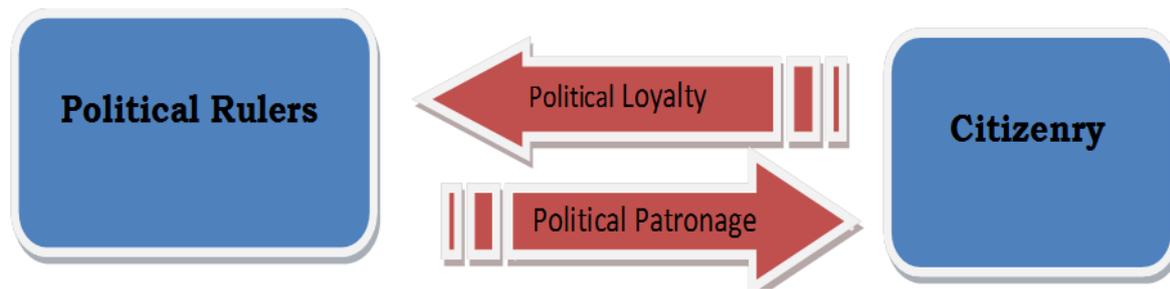
### **3.4.5. Social contract**

The socio-political make-up of the Federal State of the UAE is unusual and unparalleled in the Arab world. The constitution of the UAE, coupled with unfavourable social and economic conditions in the other emirates, juxtapose Dubai and Abu Dhabi, to govern the federation by virtue of their constitutional power that allows them to veto decisions that are not in their interests. In addition, the geo-economic position of Abu Dhabi allows the emirate to act as a rentier-state within the Federation by allocating financial patronage to less wealthy emirates in return for maintaining the status quo. In essence Abu Dhabi is imposing the conditions of a form of social contract on the less prosperous emirates within the federation.

Academic literature tends to concentrate on the fact that in the Arab world there is a tacit or otherwise social contract between monarchs or emirs and their citizens. The UNDP (2011:11-12) explains that “...the dominant form of the social contract in the region and Dubai in particular is one where the population resigns itself to lack of political freedom in exchange for provision of certain services and exemption from or low taxation.” *Figure 3.2* below provides a diagrammatic display of how the tacit social contract manifests itself in the Federal State of the UAE that includes the principality or sheikdom of Dubai. The neo-patrimonial arrangement or, as some would argue, the cultural norms dictate that the elders dispense patronage to the less fortunate within the society in order to engender a socially cohesive society.

**Figure 3.2: Social Contract: Actors in process**

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**Compilation by author (2011)**

Christopher M. Davidson in his book *Dubai the vulnerability of success*, argues that “Dubai’s economic development has largely depended on a political stability achieved through what has constituted an ‘unwritten ruling bargain’ between rulers and nationals. The defining component of this bargain has entailed the distribution of Dubai’s wealth—derived initially from oil, but more recently from other rent-generating activities—among the national population” (Davidson 2008). This is one of the few pieces of scholarship that address the thorny issue of the social contract even though the Federal constitution as stated in chapter two of the thesis contains provisions for the state to provide welfare for the most vulnerable within the society. This in essence, buys loyalty and reinforces political authoritarianism. It can be argued or extrapolated that the typical form of social contract in vogue in many Arab States has allowed these states to continue a non-developmental path, with the exception of the oil rich GCC states.

### **3.4.6. Spatial development**

The World Development Report (2009) focuses in part on the spatial transformations that must happen in order for countries to develop. Development, seen through the report’s eyes, “involves a necessary (and welcome) spatial unevenness in economic activity coupled with progressive spatial evenness in human welfare” (Rigg & Bebbington, et al. 2009: 128). In

response to its underdevelopment as a city state the Government of Dubai has incorporated a combination of urban development models. Dubai based geographers, commented that “...spatial development in the city tends to mirror (i) sector model developed by Hoyt (1939) and (ii) Harris and Ullman (1945) multi-nuclei model” (Interviews 12-14, 2012). It has been further elaborated that Dubai’s urban morphology is based on “...creating a ‘city within a city’ concept” (Interview 12, 2012).

A major criticism of the Spatial Development approach was leveled by Karim Elgendy in an insightful article entitled “Dubai Experiments with Sustainable Development” who commented:

... throughout the last three decades, the city of Dubai has not been known for its emphasis on sustainability as guiding principles for its development. The city’s growth trajectory relied – and has been economically fuelled by a transformational model which imported inappropriate and inefficient building forms and planted them in its extreme climate. In many ways, it is fair to argue that the Dubai model of development has been, in essence, the antithesis of sustainable development over the last three decades. In other words, Dubai has come to represent the climax of an obsolete development model in which humans attempted to subjugate their environment rather than coexist with it (Elgendy 2010:1-3).

Even though this study tends to concur with most of the comments expressed by Elgendy, however the author disagrees with his last sentence.

In a most provocative and critical article entitled “Fear and Money in Dubai,” Katodrytis, similar to other authors, is content to describe the geo-economics and spatial development of Dubai in the following manner:

...Dubai is a prototype of the new post-global city, which creates appetites rather than solves problems... If Rome was the Eternal City and New York’s Manhattan the apotheosis of twentieth-century congested urbanism, then Dubai may be considered the emerging prototype for the 21<sup>st</sup> century;

prosthetic and nomadic oases presented as isolated cities that extend out over the land and sea (Katodrytis 2005 cited in Davis 2006:53).

Katodrytis failed to situate Dubai's spatial or territorial development within urban development discourse, coupled with his lack of recognition regarding the importance of urban infrastructure in shaping national development. This dimension of development plays an important role in the development process as noted by the FOA (2005) cited in Bellù (2011: 5).

Pacione (2005) is less cynical and takes a more informed approach with regards to the ultra-transformation of Dubai's socio-spatial structure and urban landscape. He noted that "in the early 1990s, the government commissioned the Dubai Urban Area Strategic Plan 1993–2012 to guide the economic and physical development of the city and that property development forms a cornerstone of Dubai's development strategy." I concur with Pacione on the basis that the spatial development of Dubai is a deliberate development strategy aimed at overcoming spatial poverty gaps inherited from the colonial presence in the former Trucial States. The geography of development theory/concept aptly describes Dubai's "urban physiognomy and morphology" (Ramos 2009:8), and fits in most appropriately with the mantra used in Dubai which is 'build it and they will come.' This has cumulated in a public policy geared towards development of the city's infrastructure with a view to creating sustainable economic growth and development. Critics of the city are quick to point out that there are glaring deficiencies in Dubai's urban development and that these will lead to inequalities and environmental problems as well as spatial development gaps.

The significance of new infrastructure (roads, bridges, schools and water supplies) is underscored by Davidson (2008:136) who noted that "without new infrastructure the UAE and in Dubai in particular would not be able to sustain its plan for industrialization and other economic development activities." In support of Davidson's point, it is important to note that

Dubai's urbanization and sub-urbanization process is acting as a catalyst for economic, social and institutional changes at all levels of the society. Davidson, either through ignorance or oversight, failed to address a fundamental facet of Dubai's diversification efforts, which encompass reform in its soft infrastructure including creating a modern legal framework, co-opting modernizing features into its political structure and the development of a lean and responsive state bureaucracy powered by an e-government web platform.

#### **3.4.7. Role of the state in Dubai's development**

The French poet, Paul Valery, was reported to have used the following words "if the state is strong, it will crush us, if it is weak, we will perish" (Bradhan 1996 cited in Tanzi 1997:4). Thus, "...the ideal role must be one between the two extremes" (Tanzi 1997:4). States have arisen in all shapes and sizes, depending on a mix of factors including culture, natural endowments, opportunities for trade, and distribution of power (WDR 1997:19). I would like to support the World Development Report view in drawing on the example of the Dubai state which demonstrates "a unique amalgamation of the traditional and modern political systems that have guaranteed and laid the foundation for development" (UAE 2010:26).

The state is currently the subject of much discussion, because more and more analysts, who not so long ago saw the state as the problem, are recognizing that it must be part of the solution. This is an important shift away from thinking about the state as recently as the 1990s, when simplistic recipes such as "...the key to development is the market, not the state" and 'more market means less state' held considerable sway" (Munck 2010:9). This view of the state is informed by the prevailing neo-liberal orthodoxy, and is contrary to established conventional wisdom and experience regarding new and traditional roles of the state in the process of nation building, and of using the national resources and the capacity of the state to achieve a given set of inter-related development outcomes.

Harik (2006:365) notes that “development economists, for their part, view state participation in the economy as the burden of backwardness. Like neo-liberals, they assume that the market exists, with all its legal, regulatory, and administrative characteristics”. Kasi (2009:2) provides a partial analysis in noting that “developmental efforts in the last decade have not been as successful as expected in a majority of the developing nations. Except in a few newly industrialized countries, in all the other developing nations poverty has been on the rise, economic growth has slowed down, employment faltered and inflation is on an upward swing.”

The neo-liberal orthodoxy, or ‘Washington Consensus’, poses a serious dichotomy as to the role of the state in relation to economic planning and involvement in the economy. This debate and contestation regarding the actual importance and role of the state is quite paradoxical in light of what the World Development Report (1997:1) notes:

... Around the globe, the state is in the spotlight. Far-reaching developments in the global economy have us revisiting basic questions about government: what its role should be, what it can and cannot do, and how best to do it. The last fifty years have shown clearly both benefits and the limitations of state action especially in the promotion of development. Governments have helped to deliver substantial improvements in education and health and reductions in social inequality.

Historical evidence indicates that all countries which have successfully transformed from agrarian to modern advanced economies – both the old industrial powers of Western Europe and North America, and the newly industrialized economies of East Asia – have benefited from governments that played a pro-active role in assisting individual firms in overcoming the inevitable co-ordination and externality problems. In fact, the governments in high-income countries today continue to do so (Lin and Monga 2011:265). Much of Dubai’s development rests on a centrally coordinated approach, integrated across the Emirate’s core strategic sectors. The central

government and the ruling family have played an active role through government- or ruling family-owned corporations in providing free property (which is initially owned by the government or the ruling family), which is then monetized through mass-development (Moody 2008:3). Apart from Moody's (2008) and Tamanini's (2007) partial analyses of the role of the Government of Dubai in economic development there is seemingly a lack of theoretical analysis on the role of the state which undergirds the socio-economic development of Dubai.

The role of the UAE's (Dubai's) pax-Britannica state is largely different from that of other developing countries in the sense that its machinations are not influenced by Structural Adjustment Programmes imposed by the Bretton Woods Institutions; while, in contrast to the neo-liberal doctrine of less state involvement in the economy, the Government of Dubai is highly involved in the transformative, entrepreneurial and redistributive process in the form of a tacit or overt social contract.

### **3.5. Oil Curse Theory**

Most literature on development in mineral-rich countries points to the resource curse notion (Edighiji 2010:11). The easy money from natural resources, the curse theory went, helped finance civil wars and also weakened civil institutions by enabling repressive governments to buy off opponents and stay in power despite policies that stifled the rest of the economy (Tierney 2009). Economics literature argues that in countries with abundant natural resources (especially oil), exports of primary goods have negative effects on economic growth (see Sachs and Warner 1995; Gylfason 2001; Sala-i-Martin & Subramanian 2003; Stijns 2005 and Harb 2009 cited in Al Awad 2010: 5). This is due in part to what noted writer on the subject Terry Lynn Karl says: "Petro States... rely on an unsustainable development trajectory fueled by an exhaustible resource and the very rents produced by this source form an implacable barrier to change" (Karl 1999:31).

One of the surprising features of modern economic growth is that economies abundant in natural resources have tended to grow slower than economies without substantial resources of this type. The oddity of resource-poor economies outperforming resource-rich economies has been a recurring motif of economic history. In the seventeenth century, resource-poor Netherlands eclipsed Spain, despite the overflow of gold and silver from the Spanish colonies in the New World (Sachs & Warner 1997:1). This has led Ross to comment: “political scientists believe that oil has some very odd properties. Many studies show that when incomes rise, governments tend to become more democratic. Yet some scholars imply there is an exception to this rule: if rising incomes can be traced to a country’s oil wealth, they suggest, this democratizing effect will shrink or disappear” (Ross 2001: 325). A review of Terry Lynn Karl (1997) book, *The Paradox of Plenty: Oil Booms and Petro-states* Cooper (1998) noted that:

...Drawing on the collateral experience of Algeria, Indonesia, Iran, Nigeria, and, for contrast, Norway, puts forward the thesis that prolonged mineral booms, where proceeds accrue to the government, not only lead to a loss of financial discipline and deterioration in competitiveness of agriculture and industry, but also shape the character of poorly developed states. They encourage a culture of rent-seeking rather than productive activity and of avoiding both domestic taxation and the political systems of accountability associated with it. The paradoxical legacy of oil wealth is therefore much greater fragility in governmental and civic institutions than in states less well endowed with mineral resources.

Dubai surprisingly, and contrary to academic literature and theory, has been able to avoid or defy the oil curse notwithstanding the fact that the Dubai Government is not open, or accountable to its citizens, or transparent with regard to the distribution and utilization of scarce public resources. Dubai and other Gulf States have managed to “create highly profitable and well managed state-owned enterprises (SOEs), confounding expectations of both general SOE inefficiency and the particularly poor quality of rentier public sectors” (Hertog 2010:261).

Ross in a seminal piece of work entitled *Does Oil Hinder Democracy?*, has observed that “claims about the rentier state can be sorted into two categories; those that suggest oil wealth makes states less democratic and those that suggest oil wealth causes governments to do a poorer job of promoting economic development. Often the two are conflated” (Ross 2001:330). I concur with Ross that both arguments are often conflated; however it is my contention that not all mineral (oil) wealth countries fall into Ross’s second category. Dubai and the UAE in general expose the structural and theoretical weakness in these arguments. The Government of Dubai has successfully used state resources and its institutions to promote economic growth and development, as well as promote the interests of the vulnerable groups in the society through the use of constitutional provisions, and pragmatism along with an efficient and lean public sector.

The oil curse theory has been severely criticized by specialists such as Ross who posits that:

....qualitative studies of the *oil-impedes-democracy hypothesis* also have important limitations. The vast majority have been country-level case studies of oil-rich states in the Mideast. Although many have been empirically rich and analytically nuanced, the Mideast is nevertheless a difficult place to test this claim, since virtually all oil-rich Mideast governments have been highly authoritarian since gaining independence. The absence of variation on the dependent variable—as well as on Islam, an important control variable—has made testing difficult (Ross 2001: 331).

In addition to Ross’s criticism on the oil curse theory the section below will provide a brief overview of paradigmatic shortcomings in development theory.

### **3.6. Development Theory Shortcomings:**

The difficulty encountered in defining development as a process is not dissimilar to the achievement of its goal centred outcome. John Rapley

(1996) in his book *Understanding Development Theory and Practice in the Third World* remarked that “development has come a long way in the past six decades.” Irrespective of the change, Hague (1991:1), Martin (1998:41) Kingsbury (2004:1) and Kihika (2009:784) are of the belief that “the present development discourse is contentious, imperialistic, prejudiced, theoretically bankrupt, and is an unyielding basis for geo-political social inequity and injustice.”

Munck and O’Heary (1999), Sidibeh (2005) Gordon and Sylvester (2004) have challenged and interrogated the very concept of development, and have argued that conventional theories and models of development are not relevant to the development needs of Africa and other parts of the developing world to which they are exported for use, opining that the myth of development constitutes part of the imaginary social fabric of Western societies.

This researcher concurs with the argument posited above and further argue, that after more than four decades of development interventions by Western countries and their proxy organizations (NGOs, Donor Agencies,) through development aid, institutional capacity building and Structural Adjustment Programmes (SAPs), analysis of empirical results in many developing countries would reveal generally that in many cases significant percentages of populations are a lot poorer than prior to Western development interventions. On that premise Jones (1997:111) notes that “....despite the development and implementation of modern development efforts since the end of the Second World War, poverty and deprivation remain the norm for much of the world's population. In some regions, conditions have even worsened for populations. Development efforts have not achieved the positive results expected.” Schuftan (1998:1) sums this up in his inimitable way:

“On a facetious note, western development is merely the post-colonial form of economic exploitation now carried out at the request and with the support of the exploited.”

The monolithic imitative approach to development, accompanied by structural theoretical gaps that characterize development paradigms, coupled with the failure of the present raft of models, have given birth to post-development activists. “...Recent post-development critiques of modernization and development are the latest variant in a long history of critiques of development, ranging from, for example, populist ideas of self-reliance in the writings of Julius Nyerere, Michael Lipton, Ernst, Friedrich Schumacher to the structuralist perspectives” (Curry 2003: 407). Renowned scholar Sachs (1992:1) also articulated that “the idea of development stands like a ruin, in the intellectual landscape and it is time dismantle this mental structure.” It is important to note that “...Sachs and Estava are two of the leading members of the post-development school who declared development to be dead” Thomas (2000:5 in Allen and Thomas 2000). This list of the disillusioned development practitioner and sympathizers will become longer in the post Millennium Development Goals era.

David Lewis’s article “Anthropology and development: the uneasy relationship”, reiterated sentiments of the frosty relationship between anthropology and development that began when Bronislaw Malinowski advocated a role for anthropologists as policy advisers to African colonial administrators (Grillo 2002 cited in Lewis 2005:1). Anthropology as a discipline generally has displayed great ambivalence regarding development. In recent years, it has become almost axiomatic among anthropologists that development is a problematic and often invasive concept. However, in the late 1990s, two broad schools of thought emerged: those who favour an active engagement with development institutions on behalf of the poor, with the aim of transforming development practice from within; and those who prescribe a radical critique of, and a distancing from, the development establishment (Escobar 1997: 498).

The monumental shift of anthropology into the development domain speaks of a crisis of confidence that can be construed to mean what Martin (1998) and Pieterse (2010) called the “deconstruction of development”, meaning mainstream development and its counter paradigms. Pieterse (1998) in his article “My Paradigm or Yours? Alternative Development, Post-Development, Reflexive Development” articulates, the emergence of a new paradigm that is more people centred and represents a break from conventional development paradigms. Philosophically it is my opinion that the anthropology of development could represent the shifting theoretical framework in development discourse.

Drawing on a body of literature that critiques the process of development, I would like to suggest that the fundamental theoretical deficit which besets development at a pragmatic level is the myopic Eurocentricism that undergirds development thinking and which leads into the assumption that development is “automatic, unilinear, and is immune from intervening factors such as cultural revivalism” (Moghadam, 1992:1). In defence of the existing development paradigms So (1990:12) moots the view that:

“...Theories are not static entities. They attack other theories and they defend their own arguments. After engaging in heated theoretical debates they transform themselves into better research tools than they were before. The field of development is a perfect example of the dynamics of change in theoretical perspectives.”

The typology of development theories that is discussed in chapter five of the thesis is representative of the dynamics within the development field. With this in mind, Pieterse (2010:11) remarked that “shifts in the nineteenth to late twentieth centuries’ have altered development thinking and policy epistemologies.” This observation has led me to paraphrase Karl Marx’s eleventh thesis on Feuerbach, “...philosophers have tended to only interpret the world in various ways.”([www.columbia.edu/cu/tat/core/marx.htm](http://www.columbia.edu/cu/tat/core/marx.htm)) Implicitly this comment by Marx could be interpreted as foreshadowing

development theorists, who seem to interpret the perceived reality of underdevelopment through the lens of an idealist and neo-imperialist.

Furthermore, owing to their theoretical failure, and contrary to what is believed, that after rigorous academic debate development theories would be morphed into better theories as opined by So (1990). Empirical evidence reveals for example that, the dependency and modernization schools have failed to predict or foresee the following:

The dependency theory never foresaw the socio-economic transformation of the oil rich countries of the Arab World, similarly it failed to detect that the countries on the periphery of the global economic system would become late developers, such as Ireland, UAE Asian Tigers, Brazil, and India. Secondly, loathe it or love it 'economic globalization' has brought with it incremental benefits to the developing world and drawing on the insatiable desire to develop, policy makers in southern countries have used the tenets of the flying geese paradigm for national development. According to (Kasahara 2004:2) "the paradigm postulates that, under appropriate conditions, North-South economic linkages, i.e., the relations between the developed and the developing economies, could be beneficial to all, and that the East Asian development integration is a case in point".

Gordon and Sylvester (2004:3) aptly and most perceptively summarize the point above by commenting that "development has evolved into an essentially incontestable paradigm with such a powerful hold on our collective imaginations that it is almost impossible to think around it".

The proponents of the dependency schools never envisaged such a re-shaping of the socio-economic global landscape. In addition to the above, Tucker (1999:12) cited in Munck & O'Hearn (1999) notes that the dependency theory failed to recognize the cultural dimension of domination. This was a crucial omission as cultural analysis is central to any understanding of the relations of power and to any strategy of resistance or dependency reversal.

Modernization theory predicts that countries with a rapid economic development will experience a move towards democratic institutions, such as political representation (Lipset 1959 cited in Aartun 2002:1). On the contrary the unprecedented socio-economic transformation has not led to a crescendo of calls and pushes for democratic reforms and or the wholesale introduction of democratic institutions or the formation of political parties or civic movements with political agendas in Oman, Dubai and the UAE by extension. This consequently demonstrates the subjective nature of development theories. The critics may argue that these are isolated cases; nonetheless the fact remains that there is no universal applicability of Western style development theory: as Hanlon & Marcelo (2010:1) remind us, “every country has a specific history which shapes its development path.” In spite of the criticism it is imperative that the point be made that “development is important because it produces an economy, and more broadly a society and culture, that determines how people live in terms of income, services, life chances, education and so on” (Peet, 2009: 6).

### **3.7. Conclusion**

Successful and progressive societies are defined by their ability to improve the quality of life for every successive generation. However, “development strategy is a complex set of interrelated policies rather than a simple matter of trade policy, as often implied by mainstream literature” (Chang, 2006:4). Dubai’s socio-economic model has been discussed and written about in many fora locally, regionally and internationally. However, many of the analyses are conducted within specific macro-economic variables without contextualizing the city-state’s socio-economic progress within development paradigms.

In addition to the points mentioned above, there has been a school of thought, which espouses the view that the modern development process is driven by selfish motives and the interests of Western societies. Similarly, development theories have come under strong criticisms by policy-makers,

scholars and development practitioners from both sides of the political North and South divide. These critics have deemed the development models promulgated and propagated as Euro-centric and a form of neo-imperialism masked as development paradigms imposed by donor agencies, the United Nations organs and governments of developed countries. The empirical results of the dominant neo-liberal development paradigm have demonstrated how theoretically flawed the model is in achieving the desired results across the developing world. In spite of the theoretical deficits of Western development models, So (1990:11) tempers the criticism as noted in section 3.6 above. Notwithstanding what has been said, Hanlon & Marcelo (2010:1) appropriately noted that “every country has a specific history which shapes its development path” and policy makers can draw on the wide array of development paradigms and development research methodologies to shape the national development strategies of each nation state, including Dubai.

## **Chapter Four: Research Methodology**

*All of the greatest scientists in the history of mankind, such as Galileo, Newton, Einstein, Adam Smith, and Charles Darwin, were master theoreticians, and they are remembered for the theories they postulated that transformed the course of science.*

*by  
Anol Bhattacharjee (2012)*

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### **4.1. Introduction**

This chapter outlines the research methodology which has been applied by the researcher to answer the research questions that formed the basis of this study. It further demonstrates the systematic process that was followed to reach the conclusion as well as indicating that acceptable research methodologies were observed and applied.

The primary aim of this study was to develop an understanding of the mechanisms of the city-state of Dubai's socio-economic development strategies over the ten year period 1998 to 2008. To achieve this aim, this study employed a theoretical framework based on a hybrid construct of Rentier, Developmental and Competition State models. The study, and by extension, the research methodology and process were shaped by the set of research questions that are listed below.

The chapter also elaborated on the importance of research design, the methods of data collection and analysis, highlighting the need for triangulation of qualitative research instruments and in a limited way utilising quantitative tools as and when these became appropriate. This was done in such a manner as to allow the limited quantitative data to be used to support qualitative data. The chapter employs a combination of the constructivist and pragmatist research paradigms.

## **4.2. Research Questions**

In particular, this chapter intends to answer the following questions:

What have been Dubai's socio-economic development strategies and performance over the period 1998 to 2008? In order to provide answers, the following sub-questions need to be addressed:

**RQ1.** What socio-economic development approaches did Dubai pursue to achieve its present level of growth and development?

**RQ2.** Is there a strong correlation between the state's involvement and development in Dubai?

**RQ3** Can Dubai be considered a rentier, developmental state or a competition state?

**RQ4.** How has Dubai harnessed expatriate labour for national development?

**RQ5.** How did Dubai protect and empower its minority population in the process of national development?

### **4.2.1. Preliminary study**

This thesis had its origins in Dubai, a year or two after my arrival there on the 30<sup>th</sup> of September 2004. The preliminary investigation was prompted by a number of socio-economic factors, including that which came to be regarded as the most unprecedented economic transformation, urbanisation development and wealth creation in the Arab world; all of which was made possible not only by transnational capitalists and oil money used to buy countless numbers of voiceless workers who were skilled, semi-skilled and unskilled.

This preliminary research into the social and economic development of the Emirate of Dubai involved numerous informal interviews with security guards, academics, CEOs, engineers/project managers, taxi drivers and workers in the retail sectors and construction workers. The researcher also monitored the business magazines, newspapers, and government announcements as well as local and international electronic media. The overall aim was to proceed to a deeper understanding of the development process that was unfolding in front of me and also to determine the development dogma/s or paradigm/s that could be used to understand Dubai's development agenda.

The findings from the preliminary study suggested that there is a need for further and more holistic study; with an emphasis on locating Dubai's development trajectory within a development paradigm, given that most of what was written on Dubai tended to focus narrowly on individual sector performance such as trade, tourism, transport, real estate and IT services. Development as a discourse and process was loosely used and inappropriately contextualized into macro-economic variables. Examples of such work would be found in the writings of the following authors: Sampler and Eigner (2006) and (2008), "Sand to Silicon Going Global: Rapid Growth Lessons from Dubai", Saunders (2003), "Dubai The Arabian Dream" and the "Oxford Business Group Report" (2005), to name three.

### **4.3. Research Design**

Kothari (2006:31) explains that the research design is the conceptual structure within which research is conducted. It involves decisions regarding, what, where, when, how much and by what means an enquiry or a research study constitute a research design. Based on this description, my thesis "...is the end result of a series of decisions made by the researcher concerning how the study will be conducted" (Burns and Grove 1997: 222). Polit and Hungler (1995:160) argue that "...research designs vary with regard to how much structure the researcher imposes on the research

situation and on how much flexibility is allowed once the study is under way.” Essentially, a research design is “a plan, structure and strategy of investigation so conceived so as to obtain answers to research questions or problems” (Kerlinger 1986: 279, cited in Ali 2008:108), in other words “It is a complete scheme or programme of the research” (Ibid:108).

The qualitative research employed a two phase research design. In the first phase a set of research questions was crafted, leading to a preliminary study of, an extensive review of secondary sources of literature on Arab development performance and Dubai in particular. The material for the preliminary literature review on Dubai’s rapid socio-economic transformation was drawn from local newspapers, Middle Eastern Studies journals, internet searches and other local printed material.

#### **4.3.1. Descriptive study**

Singh and Nath (2007:229), “....a descriptive study describes and interprets what is. It is concerned with conditions or relationships that exist, opinions that are held, processes that are going on, effects that are evident, or trends that are developing.” Kothari (2006:33) elucidates that this approach “is used when the purpose of research is the accurate description of a situation or an association between variables.” This contextualization of the definition appropriately places itself within the theoretical framework and research questions and objectives of the thesis. In essence, this study is primarily of a descriptive nature and forms part of the research design.

#### **4.4. Research Paradigms**

One of the critical decisions to make in designing a study is the paradigm (or paradigms) within which to situate one’s work. The use of the term “paradigm”, derived from the work of the historian of science, Thomas Kuhn, refers to a set of very general philosophical assumptions about the nature of the world (ontology) and how we can understand it (epistemology),

assumptions that tend to be shared by researchers working in a specific field or tradition (Maxwell 2005:36).

Johnson and Christensen (2012:31) narrow the definition of research paradigm to mean “a perspective about research held by a community of researchers’ assumptions, concepts, values, and practices.” Examples of paradigms are philosophical positions such as positivism, post-positivism, constructivism, realism and pragmatism (Ibid: 36; Creswell & Clark 2011:42). These definitions encapsulate what thinkers on the issue have regarded as “a way of reviewing reality, especially in an intellectual discipline,” such as development studies discourse.

**Table 4.1: Elements of World View and Implications for Practice**

World View Element	Research Paradigms and Assumptions			
	Positivism	Post-positivism	Constructivism	Pragmatism
<b>Ontology:</b> What is the reality?	There is <i>real</i> reality	Singular reality (e.g.) researchers reject or fail to reject hypotheses	Multiple realities (e.g.) researchers provide quotes to illustrate different perspectives	Singular and multiple realities (e.g.) researchers test hypotheses and provide multiple perspectives
<b>Epistemology:</b> What is the relationship between the researchers & that being researched?	Knowledge can be obtained by objective methods	Distance & impartiality (e.g.) researchers objectively collect data	Closeness (e.g.) researchers visit participants at their sites to collect data	Practicality (e.g.) researchers collect data by “what works” to address question
<b>Methodology:</b> What is the process of research?	- Surveys - Experiments - Quantitative approach	Deductive (e.g.) researchers test an a priori theory	Inductive (e.g.) researchers start with participants’ views and develop theories and generalizations	Combining (e.g.) researchers collect both qualitative and quantitative data, mixing them

**Compiled Source/s: Adapted from Cohen and Crabtree (2006); Guba (1989) (cited in Tha 2010) and Creswell and Clark (2011) pg.42**

In order to develop an ontological and epistemological position from the spectrum of research paradigms summarized above, this study compares

the philosophical underpinnings and their practical implications for data collection and knowledge generation, which is the primary objective of any piece of research of this nature.

Given the nature of this study, no single paradigm could satisfactorily deal with all the required methodological requirements. Therefore, the author found it prudent to blend the constructivist and pragmatist paradigms. The comparison of the theoretical underpinnings of the paradigms listed in Table 4 above led to the conclusion that constructivism and pragmatism support my research agenda, which is to generate new knowledge encapsulated within the rentier, developmental and competition state paradigms.

#### **4.5. Data Collection: Sources, Methods and Procedures**

This section of the chapter discusses the morphology of the data collecting instruments and the opportunities and constraints encountered during the data gathering process in Dubai. The informational matrix or building bricks for this thesis was drawn from primary and secondary sources.

##### **4.5.1. Primary data sources**

Primary data included a number of reliable sources such as interviews, documentation analysis and direct observation. For empiricism purposes were used to answer the research title, and the substratum of research questions and objectives.

##### **4.5.2. Secondary data sources**

Secondary data is data that has been collected for some other purpose but is able to be used to answer research questions (Saunders et al. 2000:90). In order to answer the research questions and to achieve the study objectives as outlined in chapter one of thesis, secondary data was accordingly used.

The study obtained such data from a number of sources and this was used to enrich the quality of the data obtained from primary sources. In addition, other academic analyses and written material relevant to the area of research being undertaken were drawn on. Secondary data sources included the:

- Publications by the Dubai School of Government
- IMF/UAE Country Reports
- World Bank Reports
- World Development Reports
- United Nations Conference for Trade and Development (UNCTAD) Reports
- OECD/MENA Reports
- Development paradigm literature
- Review of newspaper articles
- Dubai Chamber of Commerce publications
- Internal Reports from Dubai Municipality, Department of Economic Development, as well as Ministries of Education and Social Affairs,
- United Arab Emirates Yearbooks
- Dubai Statistical Centre Annual Reports
- Emirates Centre of Strategic Studies and Research (ECSSR) Reports
- International Organizations Reports on the U.A.E (Dubai)
- Academic journals/ working papers and theses
- UAE Labour Law of 1980.

The abovementioned sources provided me with rich and comprehensive content for analysis and also assisted me in being able to identify theoretical deficiencies and to locate the gaps in existing literature that this research seeks to fill. They also added a new insight into on how to view development and discuss it, irrespective of the political sensitivity and undertones in a society that steers clear of socio-political issues.

## **4.6. Data collection instruments**

The primary data collection techniques used in this study included: semi-structured interviews, informal interviews, documentation analysis and direct observation. Given the descriptive and explanatory nature of the research, these instruments proved to be of enormous value in terms of the volume and quality of the information gathered.

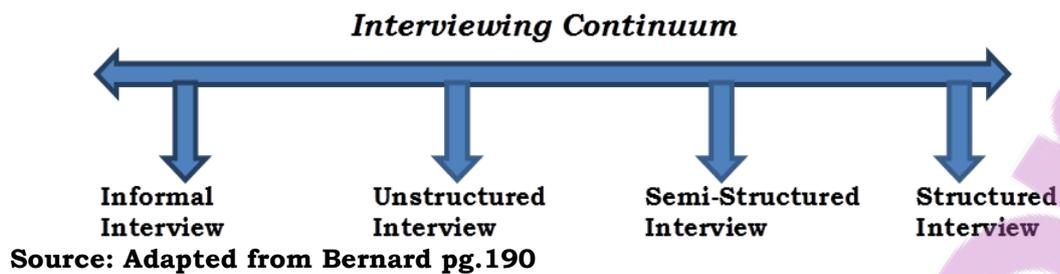
### **4.6.1. Interviewing**

In-depth interviews are a common means of collecting qualitative data. According to Mushi, Maleka and Bhalalusesa (2002:15), “interviews essentially allow you to enter into the other person’s world, to understand the person’s inner perspectives.” This argument is supported by Gorman and Clayton (1997:124) in their assertion that “interviewing can enable a researcher to explore ‘*causation*’, that is, to enquire into why individuals or organizations behave in the way they do; something most quantitative research cannot really answer.” Coolican (1999:82) echoes this sentiment in stating that an “interview study is one in which the overall design is to use interviews to gather information as opposed to the formality and possible artificiality of an experiment.” The *positivists*’ view of interviews is that they are used for getting facts from respondents (Coolican 2009:145); for this purpose the study employed various interview methods as another important data collection instrumentation tool. The interview continuum depiction is illustrated and explained below in Section 4.5.2

### **4.6.2. Interviewing continuum**

Interviewing, as a method of data collection, “is categorised into four large chunks: informal, unstructured, semi-structured and structured” (Bernard 2000:190) as depicted below in *Figure 4.1*.

**Figure 4.1: Interview Continuum**



#### **4.6.3. Informal interviews**

Informal interviews are characterized by a total lack of structure or control. The researcher merely tries to remember conversations heard during the time in the field (Bernard 2000:190). In Dubai, this method of data collection was primary. This was important in a deeply distrustful society where individuals of all walks of life become very cagey about revealing information. As a consequence political commentators, journalists, civil servants, academics, government and privately owned NGOs regularly act in a manner tantamount to self-preservation, taking an uncritical and pro-establishment posture towards the Dubai Government and its litany of quasi entities and corporations.

#### **4.6.4. Semi-structured interviews**

This study uses semi-structured interviews as one of the data gathering methods, involving a combination of techniques including one-to-one and emailed interviews. The topic lends itself to the use of semi-structured interviews due to the multiplicity of issues to be covered. This coupled with the fact that the process allows in-depth information to be unearthed, is a fundamental factor if the research questions and objectives are to be adequately answered. The justification and advantage of this approach is articulated by Schensul et al. (1999:149), who noted that "...interviews combine the flexibility of the unstructured, open-ended interviews with the directionality and agenda of the survey instrument to produce focused qualitative, textual data."

Another justification for using in-depth, semi-structured interviewing to answer the research questions and objectives noted above is due to the fact that regarding most of my interviewees, The researcher “...would not be able to get more than one opportunity to interview these individuals” (Bernard 2000:197). In addition, the semi-structured interview is deemed ideal to capture the nature of the socio-economic transformation data that is being investigated, as in the case of Dubai between 1998 and 2008: “...from managers, bureaucrats, to elite members of the community” (Ibid: 191), as well as other actors and stakeholders in the economy.

According to Robson (2002:270 cited in Ncube 2010), “semi-structured interviews are described as containing predetermined questions which can be modified, re-worded, explained to the interviewee, or omitted when deemed appropriate. Semi-structured interviews are often contrasted with structured interviews that pose predetermined, but fixed-worded questions and with unstructured interviews that raise no pre-set questions.” Methodologically, qualitative research, such as in the case of this thesis, is “strengthened by semi-structured interviews that establish a firm qualitative foundation for the construction of an ethnographically informed survey, by devising a conceptual taxonomy of domains, factors, variables and variable attributes that may be transformed into the items on a survey instrument” (Schemsul et al. 1999:152).

Semi-structured interviews presuppose flexibility on the part of the interviewer in terms of the order in which the topics are considered and, perhaps more significantly, allow the interviewee to develop ideas and speak more widely on the issues raised by the researcher. The questions are open-ended and there is more emphasis on the interviewee elaborating points of interest (Densombe 2007:176).

#### **4.6.4.1. Guidelines and administration of semi-structured interviews**

Written guidelines were developed based on thematic issues identified from the broad range of research objectives and questions. The guided interview questions (Appendix one) assisted in increasing the comprehensiveness of data gathered and provided a more systematic approach to data collection.

As outlined in the purposive sampling frame, respondents were drawn from different sectors of the society with specific interview questions for each stakeholder category. The interviews were administered by the researcher, on two levels: The first level comprised one-on-one interviews with labourers, security guards, a medical engineer, a statistician, an economist and a journalist in addition to countless informal interviews with a wide cross-section of individuals in the city of Dubai.

The second was carried out by emailing interview questions to selected respondents. The reason for this was to allow them to think carefully about the questions and to provide an in depth response on sensitive issues without feeling intimidated by the presence of other interviewees and or the interviewer/researcher.

#### **4.6.4.2. Interview steps**

The interviewing process involves a number steps, outlined in tabular format below:

**Table 4.2: Steps Taken in Conducting Interviews**

Process	Steps	Remarks
Step	1	Make a request via email, telephone, one to one conversation
Step	2	Set up appointment and email questions
Step	3	Send interview questions
Step	4	Transcribe interview results
Step	5	Analyse transcripts
Step	6	Cross checking information provided by interviewees

**Source: Author's Compilation**

The semi-structured interviews steps outlined graphically above were constructed both to reveal answers to the research questions and to attain the objectives of the thesis.

#### **4.6.5. Observation**

The thesis also utilized observation as a data collection method. "Observation offers the social researcher a distinct way of collecting data. It does not rely on what people *say* they do, or what they *say* they think. It is more direct than that. Instead, it draws on the direct evidence of the eye to witness events first hand" (Denscombe 2007: 206). As a data collection tool, "observation is highly recommended because:

- (i) It provides an ontological perspective which sees interactions, actions behaviours, and the way people interpret these" (Mason 2003:85).
- (ii) Secondly, direct observation lends itself to "develop an epistemological position which suggests that knowledge or evidence of the social work can be generated by observing or participating in natural or real life settings. Or put differently, you may have a position which suggests that meaningful knowledge cannot be generated without observation, because not all knowledge for example is articulable, recountable, or constructable in an interview" (Mason 2003:85).

Observation as a research method offers a number of clear advantages over interviews and questionnaires (Foster 2006:59 cited in Sapsford & Jupp 2006:59). Specific advantages that justify the use of direct observation as a research tool to investigate Dubai's socio-economic strategies and performances include the following:

- (i) Information about the physical environment and about human behaviour may be recorded directly by the researcher without having to rely on the retrospective or anticipatory accounts of others (Foster 2006:59 cited in Sapsford & Jupp 2006).
- (ii) Another justification has to do with the fact that it permits the researcher to develop a fuller understanding of the situation and content
- (iii) Direct observation affords the researcher the opportunity to collect data in a natural, unpressured and flexible environment.

With regard to the advantages of using direct observation as a means of data collection, such observation of selected sites was guided by the observation matrix provided in Table 4.3 below.

**Table 4.3: Observational Matrix**

What to Observe	Where to Observe?	Method of Observation
Cluster of free-zones	Multiple sites across the city	Direct Observation
Infrastructural development	Roads & Rail Networks, Bridges and other physical infrastructure in the city	Direct Observation
Institutional infrastructure	Ministry of Social Welfare and Ministry of Finance, Government Health Facilities and Private Educational Institutions	Direct Observation
Construction sites and camps		Direct Observation
Community development	13 Newly Built Residential Communities	Direct Observation

**Source: Adopted from Taabazuing (2012)**

The observational matrix outlined in Table 4.2 pre-dates the official duration of the start of this research study. For practical purposes, I had undertaken to analyse the rapid socio-economic transformation of Dubai since my arrival in the city state in 2004. Results and findings carried out prior to registration at UNISA were integrated into this study.

#### **4.6.6. Documentation analysis**

While it is a regular occurrence for social researchers conducting surveys to focus almost exclusively on surveying people as authoritative sources of data. However, in practice the strategy of the survey may be applied to documents as well. A social researcher may carry out empirical research based on documents which incorporate as wide, and as inclusive, data as possible. Newspapers, company reports, and government reports are a few of the possible sources that might be surveyed. As Gorman and Clayton (1997:159) note, "...it is not possible to understand the present situation without an appreciation of the past." Likewise Yin (1994) emphasizes the value of documents, since they are able to provide more insights by cross validating and augmenting evidence obtained from other sources.

Against this background, documentary analysis was used to map the process of change in Dubai between 1998 and 2008. The study reviewed key documents including statistical reports from various Federal and Local Government Ministries and the Dubai Strategic Plans of 1996, 2010 and 2015.

Qualitative documentation analysis is one of the most popular types of social science research methods (Wesley 2010:1). Documents are a valuable source of data for analysing institutions and the policy process because they constitute a record of "the development and implementation of decisions and activities that are central to [institutional] functions" (Hakim, 2000:46). Mason (2005:103) regards analysis of documentary sources as a major method of social research, and one which many qualitative researchers see

as meaningful and appropriate in the context of their research. This thesis made use of published and unpublished documents. The use of documents, also known as documentary analysis, served as a source for both secondary and primary data.

#### **4.7. Qualitative triangulation**

In the social sciences, the concept of “triangulation” indicates that researchers use different perspectives (mixing of data or methods) on an issue under study or in answering research questions (as referred to in Section 4. 3). These perspectives are able to be substantiated utilizing different data sources, several methods and/or several theoretical approaches so that diverse viewpoints cast light upon a particular topic (Flick 2009:445; Olsen 2004:3; Denscombe 2007: 144).

The primary aim of qualitative researchers in using “...triangulation as a research strategy ... is to check and establish the validity of their studies by analyzing a research question from multiple perspectives” (Guion et al. 2002:1; Flick 2009:426). Flick (2009:426) argues that “triangulation fulfills the purpose of the integration of several methodological approaches and different sorts of data in a systematic research design for understanding what is being studied in a more systematic way.” Michael Patton appropriately noted that "triangulation strengthens a study by combining methods" (2002:247).

The nature of the present research has required “...the use of different data collection sources to corroborate each other” (Mason 1996:25 cited in Silverman 2008:121). Thus, methodological triangulation (Guion et al. 2011:1), was deemed to be appropriate, as opposed to using, for example, data triangulation, in that this researcher has made use of limited quantitative data tables in chapter nine to analyse the social and economic dimensions of Dubai’s development. In addition to the quantitative tables, items such as documentation analysis, direct observation, informal and

semi-structured interviews all form part of the methodological triangulation process during the research.

#### **4.7.1. Methods of triangulation**

Denzin, in the 1970s, identified and distinguished between four types of triangulation (Flick 2009:444): data, investigator, theory and methodological triangulation.

##### **4.7.1.1. Data triangulation**

Data triangulation involves using a range of data from different sources of information in order to increase the validity of a study. The affirmative use of different data sources may be drawn from material such as books, photos, films and sound or the same material from different places, times and spaces (Guion et al. 2011:2; Gerrish & Lacey 2010:334; Wijnhoven 2009: 82). By extension, these sources are likely to be stakeholders in a programme, participants, other researchers, programme staff, other community members, and so on (Guion et al. 2011:14). From a wide cross-section of data sources, research outcomes may easily be corroborated to determine the weaknesses, reliability and validity of the raw data.

##### **4.7.1.2. Investigator triangulation**

This brings other investigators into the research. This may, for example, be done by working in a team and independently examining a part of the data and checking the prior interpretation; or by letting an auditor regularly check the process (Wijnhoven 2009:83). Essentially investigator triangulation "occurs where more than one person investigates a phenomenon to reduce personal bias of the data" (Gerrish & Lacey 2010: 334).

#### **4.7.1.3. Theory triangulation**

Theory triangulation involves the use of multiple perspectives to interpret a single set of data. Unlike investigator triangulation, this method typically entails using professionals outside of a particular field of study (Guion et al. 2011).

#### **4.7.1.4. Methodological triangulation**

This exists when methods either from within the same paradigm or across paradigms are used to study the phenomena (Gerrish & Lacey 2010: 334).

### **4.8. Data Presentation and Analysis**

Data was collected from both primary and secondary sources, processed, analysed and presented. Once all the interviews (person to person and email) were conducted, they were transcribed verbatim and subjected to thematic perusal classification analysis; based on the themes and concepts outlined in chapter three.

#### **4.8.1. Data presentation techniques**

The presentation of research plays an important role in the communication of research data gathered. The lack of an accurate and clear presentation of research findings will lead to questions being asked regarding the legitimacy and accuracy of the data. Such findings are normally presented using a number of statistical methods, including: pie charts, bar graphs and tables. For the purposes of this research tables were used as the method of presenting socio-economic variables and indicators. Every decision that is made concerning any aspect of this research can be justified. Thus, the reason for using tables as a means of presenting data sets collected is due to the fact that tables can be easily read and understood by everyone.

#### **4.8.2. Data analysis (techniques)**

Data analysis is the process of developing answers through the reduction, display/examination and interpretation of data (<http://www.statcan.gc.ca>). Once the data have been collected by the researcher, using a triangulation of qualitative research methods, the research process proceeds into the data analysis phase. Caudle (2004:417 in Wholey 2004) describes this as “the making sense of relevant qualitative data gathered from sources such as interviews, on-site observations and documents.”

All 30 informal and semi-structured interviews conducted were transcribed verbatim and subjected to thematic analysis. The transcripts were repeatedly viewed, and the responses supplied by respondents were treated within the parameters of the central themes and concepts outlined in chapter three. The analysis of interview data was supported by observational field notes which were compiled throughout the data collection period. Combining observational notes, documentary study and secondary data, the data analysis process was able to use a cluster of triangulation techniques with a view to establishing the consistencies, reliability and validity of the issues raised in the data collection period. In addition, analysis of Dubai’s socio-economic development strategies and the said performance between 1998 and 2008 involved looking for recurring issues, themes and macro-micro economic figures. Results obtained from the qualitative analyses were used to compare with those in the theoretical literature that formed the hybrid theoretical framework model proposed in the chapter six.

#### **4.9. Sampling Designs**

It is a general feature of social enquiry to design and select samples for a study. This is applicable whether the research is qualitative or quantitative in form (Burgess 1984a, 1984 cited in Ritchie and Lewis 2003). The first step in sampling is to define the population of interest clearly and accurately

(Sapsfold & Jupp 2006:27). Having decided on the appropriate segments of the population of interest to me regarding the research objectives and research questions, I had to decide on the type of sampling that would allow me to capture in-depth information, in a cost-effective and timely manner.

#### **4.9.1. Purposive sampling**

In conducting this research, the researcher employed a sampling technique known as “purposive sampling”; given that the “...research samples have been chosen in a deliberate manner, purposive sampling is also known as purposeful or judgment sampling” (Yin 2011: 88; Patton 2001:230). Using this approach, the sample is “hand-picked” for the research. The term is applied to those situations where the researcher already knows something about the specific people or events and deliberately selects particular ones that are likely to produce the most valuable data (Descombe 2007:17).

The use of this technique is justified, in that the information needed to fully answer the research questions had to be extracted from strategically selected segments of the population. Thus groups and sub-groups of the socio-economic stakeholders and actors, who would be able to provide the required data, were identified.

The sample constituents include the following:

**Table 4.4: Composition of the Study Sample**

Source of Information:	Targeted Persons and Institutions	Sampling Size	Sampling method
<b>Interviews</b>	• Domestic Helpers	<b>2</b>	Purposive
	• Economist at the Dubai Economic Council	<b>1</b>	Purposive
	• Business Owners	<b>1</b>	Purposive
	• Academics	<b>4</b>	Purposive
	• Legal Consultant practising in Dubai	<b>2</b>	Purposive
	• Emarati Citizens	<b>3</b>	Purposive
	• Insurance Consultant	<b>1</b>	Purposive
	• Medical Engineer	<b>1</b>	Purposive
	• Construction Project Manager	<b>1</b>	Purposive
	• Technical/General Workers	<b>1</b>	Purposive
	• Security Guards	<b>5</b>	Purposive
	• Statistician	<b>1</b>	Purposive
	<b>Informal Interviews</b>	• Taxi Driver	<b>3</b>
• Cleaner and Office Assistants		<b>2</b>	Purposive
• Human Resources Manager		<b>1</b>	Purposive
<b>Observation</b>	• Dubai Internet City	}	Not Applicable
	• Knowledge Village		
	• Dubai International Academic City		
	• Dubai Media City		
	• Labour Camp		
	• Infrastructure development		
	• Socio-cultural relationships		

#### 4.9.2. Sample size

Through purposive sampling techniques, I was able to conduct 50 informal and semi-structured interviews with a wide cross-section of stakeholders within the development process in Dubai.

#### **4.10. Ethical Considerations**

The research involved interviewing stakeholders and obtaining expert opinions; and for this reason care was taken to ensure that the identity of those who had provided information was deemed to be confidential, in other words, was protected and their privacy respected. Similarly, confidentiality of data collected was ensured to protect those who provided it.

I ensured that I conformed to ethical values and the protection of the privacy of individuals who participated in the study.

#### **4.11. Limitations**

There were a number of methodological challenges encountered during the data gathering process. The following were some of these:

- It was difficult to manage expectations as some workers in the construction industry thought that by telling their stories, instant change would occur in social and economic conditions
- There are over 200 nationalities in Dubai. Thus language became a problem; at times, the essence of the information being extracted during interviewing process, was lost during translation from Hindi, Urdu or Nepali to English.
- Some interviewees were afraid of the ramifications if they were seen to be complaining either about government structures or their private sector jobs.
- A significant challenge was to unearth information in government offices, due in part to the high staff turnover and inadequate or insufficient archival material to conduct documentation analyses.
- Distrust between the Emirati and expatriate communities, resulting in some respondents not turning up for interviews.
- Documentation analyses provide contradictory accounts on an historical event, such as when oil was discovered in Dubai and when the ruling family began their reign over Dubai.

- The study was also limited by the size of the sample, given that the research sought to target specific groups of individuals to interview.

#### **4.12. Conclusion**

This chapter provided contextual understanding of the socio-economic transformation of Dubai as the research unit of analysis. It also set the scene for the research strategy as well as the findings in chapters seven, eight, nine and the conclusion and recommendations in the tenth chapter. Using purposive sampling, semi-structured and informal interviews were conducted with a number of individuals, cutting across professional and non-professional designations and groupings of respondents. The research was carried out using a two stage data gathering process. In the initial stage, a preliminary study was undertaken, being followed by a combination of instrumentation tools including: observation, document analysis and interviews. The data gathered were analysed and presented qualitatively or narratively, drawing on the RDC hybrid theoretical framework that shaped the basis of the research, combined with limited use of quantitative data, presented using tables.

## **Chapter Five**

### **Competing Development Theories: A Snapshot of their Central Propositions & Shortcomings**

*In development man is the central actor in the process*

*By Bernardo T.G. Chidzero,*

*Enrique Iglesias,*

*and Michel Rocard*

**1992**

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#### **5.1. Introduction**

The modern development era which came into being at the end of World War II has focussed almost exclusively on addressing the underdevelopment that exists in so-called developing countries. As a process and practice, development has been used as an ameliorating tool to undo centuries of colonial hegemonic rule and exploitation.

Development represents a *transformation* of society, a movement from traditional relations, traditional ways of thinking, traditional ways of dealing with health and education, traditional methods of production, to more “modern” ways (Stiglitz 1998:3). As a transformative force, development is accompanied by a plethora of paradigms, which may partly be explained by Matunhu (2011:72) who is of the opinion that “....poverty reduction policies and strategies have tended to be influenced by the theories of development.” This chapter thus seeks to provide a cursory glance at *four* influential development paradigms as they appear during the chronological evolution of development thinking. In addition, this provides a theoretical foundation that allows for situating Dubai’s socio-economic development within specific development paradigms in chapter six.

The chapter is divided into the following sections: *5.1* examines the various meanings of development and also looks at development as a concept; Section *5.2* investigates the genealogy of development; Section *5.3* deals with the core values of development and finally, Section *5.4* addresses the contradistinction between growth and development.

## 5.2. Development: Definition and Concept

In common parlance the term “*development*” figures prominently and is used both frequently and rather casually; with popular usage including the following: development studies, problems of development, developing countries, less developed countries, development cooperation, underdevelopment, development aid, development strategies, development policy and so forth. Hence, what is meant by this term? (Szirmai 2005:6).

There are few words that offer as many definitional difficulties as development and it remains a highly contested term. While dictionary definitions focus on the idea of ‘a stage of growth or advancement’, development remains a complex and ambiguous term which carries with it several layers of meaning. As a verb, ‘development’ refers to activities required to bring about change or progress, and is often linked strongly to economic growth. As an adjective, ‘development’ implies a standard against which different rates of progress may be compared, and it therefore takes on a subjective, judgmental element in which societies or communities are sometimes compared, and then positioned at different ‘stages’ of an evolutionary development schema (Lewis 2005).

The term therefore seems to defy precise definition although not for a want of definitions on offer (Cowen & Shenton 2005:3); Political scientist Fred Riggs (1984) reviewed the relevant political economic literature, and (twenty years ago) found at least 72 definitions of the term. He notes that “the term ‘development’ has largely replaced such earlier terms as ‘progress’ and ‘evolution,’ terms that are associated by connotation” (Riggs, 1984, p. 125 cited in Pretes 1997:1421). Psychologically “development is a concept that is so ingrained in Western thought that it is taken for granted and assumed to act almost as a law of nature; that is, development is viewed as simply the progression of human life” (Pretes, 1997: 1421).

The prolific academic writer and scholar, Torado, provides a working definition in stating that “development must be conceived of as a multi-

dimensional process involving major changes in social structures, popular attitude and national institutions, as well as the acceleration of economic growth, the reduction of inequality, and the eradication of poverty.” He goes on to say,

....Development in essence must represent the whole gamut of change by which an entire social system, tuned to the diverse basic needs and desires of individuals and social groups within that system, moves away from a condition of life widely perceived as unsatisfactory toward a situation or condition of life regarded as materially and spiritually better (Todaro 2000:16).

Similarly, Remenyi, Kingsbury et al. (2004) expressed the opinion that “development is a process directed at outcomes encapsulating improved standards of living and greater capacity for self-reliance in economies that are technically more complex and more dependent on global integration than before.” This explanation is partially supported by Haines (2000) who noted that “development is often, but not exclusively regarded as a synonym for progress.” Escobar (2001:501) in his inimitable vigorous style argued that “development has been taken to be a true descriptor of reality, a neutral language that can be utilized harmlessly and put to different ends according to the political and epistemological orientation of those waging it. Whether in the political science, or sociology, economics, or political economy, development has been debated without questioning its ontological status.”

In almost two decades,

....there has been an efflorescence of literature which contests the very meaning of development. Applying the lessons of post-structuralism, this nascent school – which has come to be known as post-development thought – proposes that development is itself an arbitrary concept rooted in a meta-narrative which, in turn, reflects the interests of its practitioners. It is proposed that the goal of improving living standards leans on arbitrary and unjustified claims as to the desirability of the goal. This, in turn, is rooted in

something of a tautology: people seek development because it is desirable, and we know it is desirable because people seek it (Rapley 2004:350).

Development has always been an ambiguous notion: on the one hand it is virtually synonymous with “progress”, while on the other, referring to intentional efforts to “ameliorate the disordered faults of progress” (Cowen and Shenton 1996:7 cited in Thomas, 2000:774).

Glanville (2005:1), Oyugi (2000:4), Todaro and Smith (2006: 15 cited in Taabazuing) (2010) all posit that “development is not an easy concept to define, and to develop necessarily involves normative or value judgments being made.” Riggs notes that in the social sciences, at least, “the word typically suggests the evolution of human social systems from simpler to more complex, mature, or higher forms” (Riggs 1984:126 cited in Pretes 1997:1421-1422). In essence, based on the raft of definitions in vogue, it may be argued that development seeks to optimise societal and individuals’ quality of life in an equitable manner.

In view of the multiplicity of definitions provided above, the fundamental question that arises is whether or not development is able to be imposed from outside; or is it an internal initiative? In response to such a question, Louise Frechette former Deputy Secretary General of the United Nations was quoted by *Harvard International Review* (2003) as saying, “I think development is an internal process. The policy prescriptions that are promoted by bilateral donors or the United Nations may have a different impact or be received differently in different places; as a result their success depends very much on local conditions.” Hein de Haas noted that “...development is not only a complex multi-dimensional concept, but can also be assessed at different levels of analysis and has different meanings within different normative, cultural and historical contexts. It may therefore, be an illusion that there can be a single universal definition of development” (2009:8).

### 5.2.1. Meaning of development over time

The table below attempts to portray what “development”, as a concept and as an academic discipline, means to different people at different periods.

**Table 5.1: Evolution of the Meaning of Development**

Period	Perspectives	Meaning of Development
1800s	Classical political economy	Remedy for progress, catching up
1870>	Latecomers	Industrialization, catching up
1850>	Colonial economics	Resource management, trusteeship
1940>	Development economics	Economic growth, industrialization
1950>	Modernization theory	Growth, political and social modernization
1960>	Development theory	Accumulation-national auto-centric
1970>	Alternative development	Human Flourishing
1980>	Human development	Capacitation, enlargement of people’s choices
1980>	Neo-liberalism	Economic growth-structural reform, deregulation, liberalization
1990>	Post-development	Authoritarian engineering disaster
2000	Millennium Development Goals	Structural reforms

**Source: Pieterse (2010: page 7)**

From the plethora of meanings that have emerged to describe a process aimed at solving the state of underdevelopment to which so many people have been subjected, it is not difficult to see why Escobar (2001: 498-499) is seemingly bewildered when he notes that “the question of development remains unresolved in any modern, social or epistemological order.”

In summary, it is clear that there many different definitions of development, and that in essence, development means different things to different people. However, one common thread running through all the definitions outlined above, has been aptly captured by Fox and Van Rooyen (2004:188) when

they state that “development is regarded as people oriented, future oriented and entails hope; it implies a desired state compared to the current state of affairs.” What is fundamentally important is the fact that the development process must be an initiative with an internal dimension to ensure its sustainability and ownership by local stakeholders.

### **5.2.2. Objectives of development**

Lyons and Hamlin (2001:7) put forward the view that “objectives are statements that serve as a guide for action; in other words they are something to shoot for.” Generally speaking, objectives are clearly set out in a logical and measurable manner, in order for the intended purpose/s to be achieved.

Specifically, Charley, Jenkins and Smith (2001:4) and Todaro in Glanville (1993:2) noted that objectives of development include the following:

...Firstly to increase the availability, and to widen the distribution of basic life-sustaining goods, such as food, shelter, health, and protection to all members of society. Secondly: to raise the level of living standards, including higher incomes, provision of more jobs, better education and more attention to cultural and humanistic values. These all serve not only to enhance material well-being but also to generate greater individual and national esteem. Thirdly, to expand the range of economic and social choice to individuals and nations by freeing them from servitude and dependence, not only in relation to other people and nation-states but also to the forces of ignorance and human misery.

The final objective, which is drawn from the body of reviewed development literature, may be described as: an objective of development is to address or ameliorate the social and economic imbalance that exists between so-called developing countries of the south and developed countries of the north. It is worth pointing out that the list of objectives listed is not exhaustive, but

instead represents a small fraction of an increasing list of conceived and proposed objectives.

### **5.3. The Genealogy of Development**

Modern development as a political project emanated in part from the appalling state of squalor, poverty and underdevelopment in the neutrally labelled “countries of the south”, or, more disparagingly, “the less developed countries”.

The quest for development implies the contemplation and realization of a good life and a good society was always a central concern in all great civilizations of the world, including the Aztec, the Chinese, the Egyptian, the European and the Indian. However modern development, including the concept, theory, model and strategy, are pre-dominantly European. The origin of the European tradition of development can be traced back to the idea of progress that evolved in the Greek period (Haque 1999:39).

Notwithstanding the above paragraph, “the historical roots, evolution, systemization and belief in modern development and/or growth has their’ genesis and came to prominence at the end of the Second World War” (Chachage 1987:13; McKay 2004: 47; Lewis 2005:2 and Escobar 1998), when the term development was used by United States President Truman in 1949 as part of the rationale for post-War reconstruction in “underdeveloped” areas of the world, based on provision of international financial assistance and modern technology transfer (Lewis 2005: 2).

It is thus explicable why:

academic interest in theories of development did not emerge on a significant scale until after World War II, and in particular after the European economies were rebuilt and West Germany integrated into the western alliance system and of course the rapid decolonization of the British, French, and Dutch empires was also important. Now the world has many ‘new

nations', a term almost a synonym for less developed countries, and with the form if not content of statehood, they become legitimate objects of development programmes by metropolitan and non-metropolitan countries alike (Caporaso 1980:610).

In support of this point of view, Hewitt (2004:289), writing in Allen and Thomas (2004), remarked that "...the world and by extension, the doctrine of development, did not suddenly begin anew in 1945, it merely continued along the twists and turns of history. As part of this, the idea of development evolved. There was a sea change in the institutions and discourses of development in the post 1945 period." In summary: it is essential to note that development, as a practice and or intellectual discourse, experiences on-going shifts in definitions, conceptualization, theoretical underpinnings and pragmatic implementation. There can be no other academic discipline that experiences such erratic and tectonic shifts, however it can be argued that the very nature and core values of development lend themselves to erratic theoretical shifts and intellectual contentions.

#### **5.4. Core Values of Development**

The Human Development Report (2004:15) has mooted that "human beings are born with certain potential capabilities. The purpose of development is to create an environment in which all people can expand their capabilities, and opportunities can be enlarged for both present and future generations." It appears that the authors of this Report drew on the work or thoughts of Todaro (2000:17) who had earlier made the following observations: that there are "three fundamental core values of development: Sustenance: the ability to meet basic needs; Self-Esteem: to be a person; Freedom from servitude: to be able to choose."

#### **5.4.1. Criteria for measuring development**

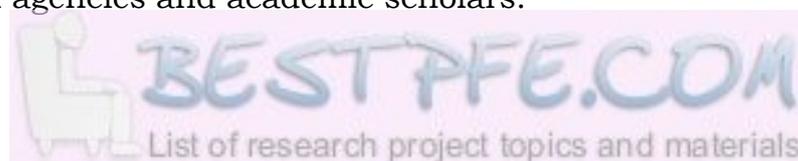
Development is primarily about economic development and as such, is measurable, according to Pieterse (2010:25). This view is slightly earlier advocated by Peet and Hartwick (2009:23) who explained that “development is fundamentally economic and is conventionally measured as economic growth, with the level of development seen in terms of the size of the economy.” Waugh (2002:630) is of the fervent view that “there are three criteria that can be used to measure development which are (i) Economic Wealth, (ii) Social, Cultural and Welfare Criteria and (iii) Other Criteria for Development.”

Recent literature on gender and development corroborates Waugh's observation:

....that a corner stone of new development thinking is the full integration of women into the mainstream of development and concern for progress in all aspects of their lives: health, education, employment, nutrition, legal and political rights. In traditional development thinking, investment in social development was seen as a luxury, a fruit of economic success. But it is now known that the basis of economic progress is a healthy, socially stable and slow growing population (2002:633).

#### **5.4.2. Dimensions of development**

Development Studies, and by extension, development, “is no longer a singular exercise, but has evolved to encompass sub-specialties, including: medicine, public health, biology, environmental sciences, engineering and anthropology as well as the more traditional history, political science, economics and public policy” (Maxfield 2002). Thus, measuring this multidimensional exercise represents a herculean task for policy-makers, international aid agencies and academic scholars.



Nonetheless, Bellù (2011) believes that “even if the development of a socio-economic system can be viewed as a holistic exercise, (i.e. as an all-encompassing endeavour) but for practical purposes, in particular for policy making and development management, the focus of the agents aiming at development is almost always on selected parts of the system or on specific features.” A summary of the parts (non-exhaustive) of a socio-economic system regarded as dimensions of development is briefly explained below.

#### **5.4.2.1. Human development**

Amartya Sen’s ideas cited in Fukuda-Parr (2003:301) and his propositions were instrumental in the emergence of Human Development being championed by the UNDP as a different approach to development. The term human development here denotes both the process of widening people's choices and the level of their achieved wellbeing (HDR 1990:10). The Human Development Report (HDR) of 1991 states that the main objective of human development is to enlarge the range of peoples’ choices to make development more democratic and participatory (HDR 1991 cited in Rist 2002:8). A similar and complementary trend of thought is echoed in the HDR of 2007, which noted that “human development is about the realization of human potential. It is about what people can do and become—their capabilities—and about the freedom they have to exercise real choices in their lives” (HDR 2007).

As a development paradigm, “human development finds its theoretical underpinnings in Sen’s Capabilities Approach which holds “a person’s capability to have various functioning vectors and to enjoy the corresponding well-being achievements to be the best indicator of welfare” (Sen 1985 cited in Ranis 2004:3-4). This came about, as in the late 1980s there emerged an increased awareness that the customary economic measures of development were far too limited (Willis 2005:7), the concept of human development being much broader than the conventional theories of economic development (HDR 1995: 11-12). The concept of Human

Development has been described by Todaro (2000:72) as “the latest and most ambitious attempt to analyze the comparative status of socio-economic development in both developing and developed nations systematically and comprehensively.”

#### **5.4.2.2. Sustainable development**

Dynamic development is sustainable when it is forward looking and responsible. Therefore it must be assessed not only by such indicators as poverty, natural resources, forest coverage, and ocean temperatures but also by the institutional environment that helps this information emerge, gives it weight, and ensures that it is acted on (World Development Report 2003). The concept of sustainable development is narrowly framed by the National Environmental Management Act (1998), of South Africa, defined as the integration of social, economic and environmental factors into planning, implementation and decision so as to ensure that development serves present and future generations (Fox & Van Rooyen 2004:102). Sustainable development as a development strategy is summarised to encapsulate or encompass the point mooted below in the words of Schuurman (2004:22), who noted that “sustainable development is a strategy that seeks to satisfy the needs of the present generation without interfering with the needs of future generations.”

#### **5.4.2.3. Spatial development**

The current practice and sociology of development, tends to focus on the social, economic and demographic aspects of the process while a critically important aspect of development that is ignored is spatial in nature. Spatial development links geography to development through the economic development of space. This is a fundamental dimension of the development process; as if one were to visit any city in the world it would become obvious that there is spatial inequality and uneven development.

“The various theories of economic geography provide causal explanations that spatial inequality is the net result of the balance of forces of concentration and dispersion; which may be socially destabilizing if the regional divergence in economic welfare and political interests contributes to general social instability” (Kim, 2008: 1 & 3). It is against this background that there is global concern by political leaders, policy-makers and practitioners about the impact that spatial inequalities may have on achieving the desired developmental results.

#### **5.4.2.4. Economic development**

The process of economic development, pursued over a sufficiently long period of time, has the significant consequence of a marked lifting of the average standard of living. Modern economic development is more than simply an increase in income or output, whether considered per capita or in absolute terms (White 2009:5). Economists and policymakers contend that “economic development occurs when all segments of the society benefit from the fruits of economic growth through economic efficiency and equity” (Kooros & Badeaux 2007:121). Jain, Kaur, Gupta and Sandhu (2007:40) make the point that “the determinants of economic development can be divided into two parts; namely economic and non-economic determinants.” In essence, economic development does not solely mean macro-economic stability and improving fiscal balances, but incorporates the principles of real economic and social development (Chang 2010; White 2009).

#### **5.4.2.5. Development as freedom**

The eclectic, pragmatic world of development is about more than creating an economy: the multi-dimensional nature of the process makes it ostensibly about people. On that basis Sen (1999: xii) vigorously articulated that “development consists of the removal of various types of ‘un-freedoms’ that leave people with little choice and little opportunity of exercising their reasoned agency.” The removal of substantial ‘un-freedoms’, he argued is

“constitutive of development’ and thus the expansion of freedom should be viewed both as the primary end and as the principal means of development” (Ibid: xii).

#### **5.4.2.6. Political participation**

Development should be and is primarily people centric, the focus of its attention being about transforming lives of people; within that context, Sâigh (1978:12) expressed his opinion that “decisions involved in the design of development strategies and policies and in the allocation and use of development resources must themselves also be accompanied by wide social and political participation by the population.” This point has been further developed by Kadir (2011:4), who stated that “the fundamental premise of the right to development is predicated on the freedom to participate in political life, the right to work and equality of opportunity, peace and security.” This facet of development in the Arab Gulf States (AGS) is non-existent as the political space is characterized by a soft autocratic monarchical mode of governance.

### **5.5. Contradistinction between Growth and Development**

The most pressing and fundamental aim of national economic planners is to achieve economic growth, which, in theory at least, should lead to development. However, literature on the subject has demonstrated the complexity and non-linearity of development as a process and as a measurable outcome; thus the theory is at variance with the reality.

Development became synonymous with rapid economic growth; while increased saving and investment was the engine of that growth (Todaro 1992: 98). The terms “development” and “growth” are often used interchangeably (Senqupta, 2011:4), due in part to “development originally and conventionally being based on a straight-line progression from a traditional to modern mass-consumption society and measured as economic

growth, with “level of development” interpreted in terms of the size of a nation’s economy” (Peet et al. 2009: 6; Harris 2000:18). Nevertheless, according to Tendulkar (2011: 291 in Lim & Monga 2011) “economists still continue to be intrigued by the mystery of economic growth.”

Sen (1983: 748) further points that “growth is not the same thing as development and the difference between the two has been brought out by a number of recent contributions to development economics. But it can scarcely be denied that economic growth is one aspect of the process of development.” The socio-economic variables or indicators which provide the theoretical underpinnings and interlinkages between growth and development clearly espouse the academic argument that there cannot be development without economic growth; however, there can be growth without development. Keeton (1984: 276) amplifies the above argument by noting that “development refers to and is defined in terms of the maintenance of economic growth accompanied by qualitative changes in the structure of production and employment, generally referred to as *structural change*”, and not just the narrow economic parameter and framework of “Keynesian economics, with its emphasis on broad economic aggregates in the 1950s when widespread attention was first paid to the problems of development and underdevelopment” (Keeton 1984: 276). In essence, development should be viewed “as the result of synergies between enhanced human capital and new knowledge, involving complementary investments in physical and social capital” (Lim 2011:301 in Lin & Monga 2011). This study would argue that, there is a thematic deficiency in using economic growth to denote development as the former tends to concentrate on national output as a yardstick to indicate the social and economic progress of a population. Hussain (2012), in an article entitled “Dimensions of Development” supports the thematic deficiency that the author has observed in his statement that:

...the narrow conception of development was understandable since the concern of Third World countries emerging from a colonial past was to achieve rapid growth in national income as a means of pulling out of poverty.

In this study, the author's main emphasis is on socio-economic development and the attendant strategies; thus economic growth and development are not used interchangeably; neither does "growth" denote "development". Emanating from the concept is a cluster of seemingly contradictory theories that are discussed below.

## **5.6. Typology of Development Theories**

Over the last fifty to sixty years, a typology of development theories with varying degrees of propositions and meta-analyses has emerged, each theory representing a different polarity on the global political hegemonic agenda. Against such polarized thoughts, Peet and Hartwick (1986:21) noted that "...it seems strange that there can be entirely different theories of development. Why can't dedicated intellectuals just make up their minds, agree on the best theory, and then tell the world what policies to pursue? It is because development theories reflect the political positions of their proponents, the places where they developed their philosophical perspective." The answer to such a question lies partially in this statement by Schuurman (2004:10) who argued that "development theories have been used by nation-states as a meaningful context for political praxis." It therefore seems logical that Berberoglu (1992:7) has argued that "during the era of the 1950s and 1960s, when the USA global expansionism and domination of the world economy had reached new heights, 'development theory' came under the grip of Cold War ideologists such as W.W. Rostow, who set the parameters and shaped the direction of development theory in line with U.S. Foreign Policy objectives."

The typology of development theories over the last sixty years emerged out of organised confusion and tension within the discipline and there is no one single meaning of development that all stakeholders can coalesce around. For example, Seers (1979) asserts "...the purpose of development is to reduce poverty, inequality, and unemployment." Sen (1999); notes that "...development involves reducing deprivation or broadening choice.

Deprivation represents a multidimensional view of poverty that includes hunger, illiteracy, illness and poor health, powerlessness, voiceless-ness, insecurity, humiliation and a lack of access to basic infrastructure” (Narayan et al. 2000, pp. 4-5 cited in Nafziger 2005: 1-2). Such shifting, thematic thinking in the core values of development as a process, lends itself to paradigmatic nightmares.

### **5.6.1. Competing theories of development**

There are a number of competing approaches which entail different visions of what is a desirable “developed state”, different views of history, how social change occurs and the process of development in relation to the global capitalist system and different prescriptions for how to achieve development and who the agents of it should be (Thomas 2000: 23 in Allen and Thomas 2000). Todaro (1992) postulates that “literature on development has been dominated by three major strands of thought: firstly the ‘stages of economic growth’ theories of the 1950s and early 1960s; secondly, the ‘international dependence’ theories of the late 1960s and the 1970s and thirdly the ‘free-market’ theories of the 1980s and 1990s.”

Hettne (2001:28) summarizes, and has categorized, the strands of development mooted above by placing “...development theories in silos of mainstream and counterpoint.” The evolution of a multiplicity of development paradigms owes its genesis to diverging political agendas based on the political ideological political spectrum of those who seek to develop the underdeveloped. For example, for the duration of the cold war period, the field has a spectrum of development and political models: socialism, collectivism and the Washington Consensus.

An attempt is made below to explain four development paradigms from a number of theories and constructs that have been “put forth by theorists and professionals working with international donor agencies such as the International Monetary Fund and the World Bank in the past 50 or so years

since the advent of development economics as a field of study” (Todaro and Smith 2008).

Paradigms consist of particular ontological assumptions and particular epistemological principles, embodying a set of theoretical principles as well. Most importantly, they provide a definition of the appropriate domain of inquiry to which these principles are to be applied (Robinson 1998: 565). It is with this in mind that Basu (2005) and Torado (1992: 98-99) make a significant point:

...the focus and emphasis of development theories are on external and internal institutional constraints, economic, social, political or cultural factors and in some measure, gross inequalities in land ownership, highly unequal and imbalanced international trade relationships, policies geared toward the eradication of poverty. To some degree these approaches overlap. Generally modernization theory and dependency theory are antipodal theoretical approaches.

### **5.6.2. Modernization theory**

Drawing on “...the works of philosopher and historian of science, Stephen Toulmin, who, in a number of his works argued that ‘modernity’ consisted of a set of interrelated propositions and beliefs, all dating from the late seventeenth century” (Toulmin 1990 & 2001 cited in Richards 2003:58), as a development paradigm, “...modernization theory refers to a group of theories which emerged after 1945 following the industrial revolution in Europe and North America which pointed to the success of Western science and political organization” (Norgaard 1994; Crafts 2003 cited in Taabazuing 2010: 62). The modernization theory in the late 1950's and early 1960's stemmed from America's new position of international hegemony and its concern with solving the problems of the poor countries (Yeh 1989:2). It is the underlying view of Huntington that the “...Grand Process of Modernization represents, a bridge across the Great Dichotomy between

modern and traditional societies” (Huntington 1971:288). The Payson Centre for International Development Report (2012) expresses the view that

“... in order to develop, underdeveloped societies must be “modernized” to take on the features of economically developed countries. This is because modern societies are able to absorb change and assure their own growth while traditional societies cannot.”

Essentially, on the basis of the argument made above, the modernization school of thought: “...broadly construes that the idea of modernization signifies the manifold changes which accompany technological advance in every aspect of life, including the economic, legal, political, artistic, familial, religious, and scientific spheres of human behaviour” (Sklar 1995: 19).

### **5.6.3. The central propositions of the modernization theory**

Like other development paradigms, the modernisation theory is underpinned by a number of fundamental propositions that are outlined below.

- (i) Roberts and Hitte (2002:9) posit that to “understand the gap between wealthier and poorer nations, modernization theorists explored the process of development and offered a composite portrait of what it means to be ‘modern.’ In modernization theory’s dualistic schema, societies go from being one type of society (traditional or undeveloped) to another type of society (modern or developed).”
- (ii) For late modernizers (such as Dubai) the prescription was to: borrow, import, imitate, and rationalize. To get investment flowing, to break a nation out of a cycle of poverty and a lack of investment, nations should allow large firms from wealthy countries free access to their national markets, labour and resources (Roberts & Hitte 2002:10).

- (iii) Modernization theory uses the micro-sociological level (individuals and aggregates of individuals, their values, attitudes, and beliefs). Such theory looks at the nation's society; this theory regards human behaviour as being relative, based on culture (Valenzuela & Valenzuela 1978).
- (iv) The focus of the modernization school is on the Third World, especially on how to promote development there while implicitly holding up the First World as a model. According to the modernization school, there is something wrong within the Third World nations that makes them economically backward (Yeh 1989: 3-4).
- (v) The inherently emancipative nature of the values of self-expression makes democracy increasingly likely to emerge; thus modernization brings about cultural changes that lead to the emergence and flourishing of democratic institutions (Inglehart & Welzel 2005:6). So (1990:35) earlier noted that "modernity involves changes in virtually all aspects of social behaviour including, industrialization, urbanization, mobilization, differentiation, secularization, participation and centralization."
- (vi) Modernization is a transformative process. In order for a society to move into modernity, its traditional structures and values must be totally replaced by a set of modern values (So 1990:35). Huntington (1976) points out that "the modernization school considers modernization and tradition to be essentially asymmetrical concepts. Although the traits of modernity are clearly laid down, those of tradition are not. For the sake of convenience, everything that is not modern is labelled traditional. Consequently, traditions have a small role to play and have to be replaced in the process of modernization"(Huntington cited in So 1990:35).

- (vii) In large measure, the model was heir to theories of social evolution formulated by prominent sociological thinkers during the preceding century. Following in the footsteps of neo-Darwinian concepts of natural selection, human societies were seen as quasi-organic structures seeking to increase their survival chances through the enhancement of internal complexity and external-environmental adaptability (Dallmayr 1993: 5).

#### **5.6.4. A critique of modernization theory**

Five main criticisms of the theoretical underpinnings of the modernization theory development paradigm are addressed in this section:

Firstly, in the words of O'Donnell (1973), one encounters “dependency theorists such as Andre Gunder Frank, Fernando Henrique Cardoso, and Faletto Enzo, who took issue with modernization theory's relatively unproblematic picture not of social change but of economic development. They argued that non-Western societies were actually doomed by their position in the international economy to a state of underdevelopment and dependence”.

Secondly, according to Berman (2009) citing Huntington (1968),

... following the theory's initial rapid acceptance, by the late 1960s a backlash began to emerge. Critics argued that it was too linear, too teleological, and too optimistic. One major challenge came from Samuel Huntington. In his seminal book *Political Order in Changing Societies*, Huntington took issue with the theory's relatively unproblematic picture of social change. He argued that modernization theorists were right in seeing economic development as unleashing profound social changes but wrong in assuming those changes would necessarily be benign or progressive. Societies in the throes of dramatic social transformation, he noted, tend to be unstable and even violent. Positive outcomes are likely to emerge only

where healthy political institutions capable of channeling and responding to such changes exist ...and building such institutions is an extremely difficult and time-consuming task.

Thirdly, Roberts & Hitte (2002:10) hold the view that:

... after two decades of dominance in development circles, modernization theory came under attack from several angles. First, it was seen to be a-historical; modernization theory failed to make distinctions between countries, regions, structural conditions, or specific historical experiences. For example, modernization theorists did not address the fact these poorer regions exhibited not one situation of poverty or one type of society, but multiple pre-modernities.

A fourth and fundamental criticism of the modernization theory may be accorded to McKay (2004:53) who noted that “...the basic assumption and optimistic tone of the modernization theory flew in the face of the actual situation in the underdeveloped world. Inequalities were not being narrowed as conventional economic theory predicted, rather the world was becoming increasingly divided between the powerful core regions and the impoverished periphery.”

Fifthly, in his stringent view, Berberoglu (1992:7) argues that “mainstream modernization theory became known as the ideological arm of the US expansionism throughout the world for the supposed purpose of diffusing development and democracy to the third world.”

#### **5.6.4.1. Modernization theory – convergence and divergence departure in Dubai**

Dubai has benefited from or demonstrates features espoused by the modernization theory. The following specific features are demonstrated:

#### **5.6.4.2. Areas of convergence**

If social and economic development is used as a milestone to measure modernity as an outcome of modernization, then Dubai and the UAE would be said to have fared “quite well”. Dubai is fully integrated and wired into the hegemonic position of western globalization. The city state has successfully transformed the political economy of subsistence agriculture and fishing into a prosperous and glitzy cosmopolitan city state.

Secondly, the Arab world, and Dubai in particular, are fast becoming fully integrated into modernity as described by modernization theory scholars. Chuchmuch (2006:4) commented “that Arab society has been subjected to enormous pressure from the outside world. Social change is evident everywhere because the effects of economic modernization have been felt in all areas of life. Even for Bedouins and residents of remote villages, the traditional way of life is disappearing.” The ideological debate refuting the applicability of the political and economic modernization of developing countries (DCs) as being similar to the path taken by industrialized countries is not a part of the body politic and economic dialogue in Dubai.

Thirdly, the discovery of oil in the UAE and specifically in Dubai, and the subsequent change in the city’s demographic profile, has resulted in the “disintegration of the traditional *Kultan (Religious Content Based)* educational system and a new educational system emerged in the mid 20<sup>th</sup> century” (Ansari 1998:44). In its place, western style education systems arrived with the missionaries and increasingly with the influx of guest workers whose children are not allowed to attend government owned and operated schools unless they are Arabs. In essence, Dubai has embraced modernization through its educational system.

Fourthly, political pluralism, as theorized by proponents of the modernization theory, would be the end product of economic development. However, in the micro-state of Dubai and UAE by extension, that process

only began in 2006 with landmark elections that were held at national level, to elect half of the FNC's 40 member chamber. It is important to note that voters were handpicked to participate in the electoral process.

#### **5.6.4.3. Points of divergence**

As an Islamic society Dubai refuses to replace traditional and Islamic Sharia Law with Greco-Roman or French Law. This is a fundamental departure from other features of the modernization theory that Dubai embraces. Chuchmuch (2006:15) explains that "the divinely revealed laws that define Sharia are God's blueprint for living one's life and organizing society."

Lipset and other modernization theorists were of the view that social and economic development in a country would usher in political changes, which would lead to democracy in a region such as the Middle East where states are governed by patriarchal dictatorial regimes. Notwithstanding the above view, Peterson (2006: 34) noted "...there is a lack of political activism in the UAE (including Dubai) as most citizens are reluctant to antagonize powerful ruling families or jettison a system of relying on tribal and family connections for favour and connections." Overall it may be said that political metamorphism has not taken place in Dubai which economic development, it was proposed, would lead to western style political pluralism.

The discovery of oil in the Arab Gulf States (AGS) and their subsequent endorsement of the globalization process over the last five decades by, in particular, the emirate of Dubai, through pro-active leadership has implicitly embraced the process of modernization through "...economic diversification and education reform" (Macpherson, Kachelhoffer & El Nemr 2007: 2-6).

Subsequent to the formation of the UAE in 1971, "...during the late 1970s, a deep transformation affecting the relation between state and society was taking place. This transformation culminated in the constitution of modern

statehood and the development of the administrative apparatus of the monarchies. The development of modern state structure also brought with it elaborate bureaucracies, policing strategies and mechanisms of control by which the modern states in the Persian Gulf monarchies (Dubai included) could manage their own population” (Ilias 2012:34). This transition also marked a journey from the tribal political imagination to a regime ruled by techniques of government. Nonetheless, a complete departure from the tribal values was impossible. An apparent contradiction between the techniques of modern government and tribal values in contemporary society persisted at all stages of development (Ibid: 34).

In contradiction of one of the tenets the modernization theory, Dubai has seen a widening in inequalities as the city became more economically developed and prosperous. There is an increasingly expanding gap in socio-economic conditions between the rent extracting and receiving citizens and the guest workers, especially the unskilled and semi-skilled workers from Asia and East Africa, Yemen, Oman, Egypt and the Sudan.

#### **5.6.5. Dependency theory**

Similar to development as a concept, the modernization theory was beset by a series of theoretical gaps and shortcomings. Thus, “in reaction to the shortcomings of modernization theory, the dependency theory of underdevelopment was formulated by a number of Latin-American economists and social scientists in the 1960s. This theory was informed by Marxist social thought on capitalism and its exploitative tendencies” (Taabazuing 2010: 62-63). It is the considered view of Blomstrom and Hettne (1984 cited in So 1990:91) that “the dependency school represents ‘the voices from the periphery’ that challenged the intellectual hegemony of the American modernization school.”

As an economic school of thought Ferraro (1996:1) notes;

... the dependency theory developed in the late 1950s under the guidance of the Director of the United Nations Economic Commission for Latin America, Raul Prebisch. He and his colleagues were troubled by the fact that economic growth in the advanced industrialized countries did not necessarily lead to growth in the poorer countries. Indeed, their studies suggested that economic activity in the richer countries often led to serious economic problems in the poorer countries. Such a possibility was not predicted by neoclassical theory, which had assumed that economic growth was beneficial to all (Pareto optimal) even if the benefits were not always equally shared.

Präsidenten & Projekte (2004: 2-3) noted that the dependency school of thought hinges on the belief that “underdevelopment at the periphery occurs because of exploitation by the capitalist centre. The dependence school also believes that dependency is an external condition, that the centre nations get all the benefits from unequal exchange, and that the peripheral countries should sever their ties with the core countries.”

#### **5.6.5.1. The central propositions of dependency theory**

Firstly, Ferraro (1996:4) posits that;

...there is a number of propositions, all of which are contestable, which form the core of the dependency theory. Underdevelopment is a condition fundamentally different from un-development. The latter term simply refers to a condition in which resources are not being used. For example, the European colonists viewed the North American continent as an undeveloped area: the land was not actively cultivated on a scale consistent with its potential. Underdevelopment refers to a situation in which resources are being actively used, but used in a way which benefits dominant states and not the poorer states in which the resources are found.

Secondly, Haines (2000) provides us with a distinction between what he refers to as the “strong” and “softer” versions of dependency theory. The

strong version is associated with the work of Gunder Frank and of scholars such as Samir Amin. It portrays economic dependency as inevitably generating the development of underdevelopment, thus making development well-nigh impossible as long as it continues. The weaker version of dependency theory is normally associated with Cardoso (1972), Cardoso and Faletto (1979), Peir and Evans (1979). It does not assume dependency necessarily leads to the development of underdevelopment; however under certain circumstances one may find what Cardoso calls “associated dependent development or dependent development.”

Thirdly, “the theoretical thrust of the dependency perspectives was that capitalist penetration leads to and reproduces a combined and unequal development of its constitutive parts. The policy implication is that indigenous economic and social development in third world social formations must be fundamentally predicated upon the removal of industrial capitalist penetration and dominance” (Taylor 1979).

Fourthly, “dependency theory correctly predicted the growing global hegemony of multinational corporations and international capitalist institutions. Indeed, at no time during the last half-century have peripheral countries, such as those of Latin America, Africa, and parts of Asia, been so thoroughly dependent as they are today on external capital in-flows and on the economic guidance of international finance organizations (Portes & Kincaid 1989 cited in Portes 1999: 231; & Castells & Lasema 1989).

Fifthly, “dependency theory presented the world as consisting of two poles: wealthy countries are the ‘centre’ of the global capitalist system, and poor countries are its satellite or periphery. Peripheral countries have low wages, enforced by regimes that undermine independent labour unions and social movements” (Roberts & Hitte 2002:11).

Finally, “the dependency orthodox paradigm is a body of social science theories: central to its theoretical underpinnings is that poor states are

impoverished and rich states are enriched, by the way in which these poor states are integrated into the world system. Prebisch's solution was similarly straightforward: poorer countries should embark on programmes of import substitution so that they need not purchase the manufactured products from the richer countries. The poorer countries would still sell their primary products on the world market, but their foreign exchange reserves would not be used to purchase their manufactures from abroad" (Ferraro 1996:1).

#### **5.6.5.2. Criticism of dependency school of thought**

The dependency theory has attracted criticisms from a variety of ideological positions and scholars (Chilcote 1974:7). A non-exhaustive list of some of the criticisms levelled at the dependency school is provided below.

In 1979 Smith in his essay entitled remarked that "a major historio-graphic failure of the dependency theory in general substantially overestimates the power of the international system-or imperialism-in southern affairs today" (Smith 1979:248-249).

The dependency theory has been criticized from a variety of other perspectives. A number of Marxist scholars have taken issue with the methods and assumptions used, suggesting that they are a misrepresentation of the true Marxist position. Several writers have argued that the dependency theorists have missed the true essence of capitalism and have instead portrayed it as a simple zero-sum game (McKay 2004:58 in Remenyi, Kingsbury, and Damien et al. 2004).

Todaro (2000:94) reiterates the views of critics of the dependency theories in stating that a fundamental weakness of the *Dependencia School* emanates from "the lack of sufficient formal or informal explanation of how countries initiate and sustain development." In addition, "Prebisch's solution was similarly straightforward: poorer countries should embark on programs of import substitution so that they need not purchase the manufactured

products from the richer countries. The poorer countries would still sell their primary products on the world market, but their foreign exchange reserves would not be used to purchase their manufactures from abroad” (Ferraro 1996:2).

Dependency theory tends to over generalize about contemporary Lesser Developed Countries (LDCs) (Haines 2000:5) and as a general rule tends to ignore the progress LDCs have made by interacting with Western countries. The East Asian tigers provide us with ample examples of departures from the theoretical constructs of the dependency theory.

A critical flaw in the said theory as noted by Smith (1979:249) “is simply that dependency theory in general substantially overestimates the power of the international system-or imperialism-in southern affairs today. This is not to deny that northern power is real in the South, nor to dispute that its effect may be to reinforce the established order of rank and privilege there, nor to suggest that imperialism is a term altogether lacking in meaning today. But it is to assert that dependency theory has systematically underestimated the real influence of the South over its own affairs.”

#### **5.6.5.3. Dubai point of convergence and divergence departure**

Development policies and strategies are influenced in one way or another by development paradigms. In this section of the chapter an attempt will be made to provide some analysis of the way in which Dubai has demonstrated some of the features espoused by the dependency theorists. Below are some of the specific features demonstrated in the ‘Dubai Model’.

#### **5.6.5.4. Points of convergence**

Well articulated within the annals of the oil dependency literature and discourse, is the view that “oil over time has created new international interdependencies” (Crystal 1995:7). Similar to other countries on the

periphery of the Eurocentric or western hegemonic economic global construct, Dubai displays co-dependence on western and southern countries as regards the following:

- Foreign export markets for the limited amount of goods and services it produces
- Western trained managerial class (*see chapters 8 and 9*); as the city is grossly overpopulated by these expatriates and is unable to sustain the size of its economy commercially and productively.
- Debt financing for its developmental projects
- Foreign direct and portfolio investments
- Over-dependence primarily on western markets with respect to investing funds from the Government of Dubai's sovereign wealth fund (SWF)
- The tourism sector plays an integral role in the economic development of the city –in fact *The Economist* (2008, May 15<sup>th</sup>) and Rai (2012 April 30<sup>th</sup>) estimated that travel and tourism accounted for over 30% of Dubai's GDP. In essence the Dubai economy is a dependent one, not on any primary product (commodity) but instead on a tertiary product. This was not foreseen by the architects of the dependency theory.

#### **5.6.5.5. Points of Divergence**

Dubai shares many features of the dependency theory; such points of divergence will be explored below:

It is the observation of the author that during this era of international economic globalization Dubai has been able to take advantage of the benefits of globalization in the form of access to the international capital markets. This is a fundamental departure from the constructs that undergird the dependency school of thought. The population of the UAE and Dubai in particular does not lend itself to being a supplier of cheap labour

and to be exploited by western Transnational Corporations (TNCs); but instead Dubai as a city is known for its exploitation of expatriate labour, especially from the labour supplying countries of India, Pakistan, the Philippines, and Nepal etc.

Dubai, starting from a position of underdevelopment, had the advantage of catching-up through a process of borrowing and adapting existing new technologies from developed countries and Multinational Corporations (MNCs) operating within the city and or on a global scale. This particular point of departure supports the point made by Smith (1979:249) above that the “dependency theorists have systematically underestimated the real influence of the South over its own affairs.” Dubai is no exception to this meta-analysis of the structural weakness of the dependency theory.

The local population of Dubai operates as rent-seekers from transnational corporations, individuals and domestic businesses incorporated by expatriates. Under the provisions of the company and labour laws, enterprises and individuals have to be sponsored by local Emiratis in order to be considered legitimate residents of the UAE. Sponsorship comes at an hefty economic cost that has to be paid to an Emirati citizen/s for agreeing to sponsor residential and or commercial activities in Dubai.

As a late developer, Dubai’s development path bypassed the process of rapid industrialization and instead focused on building a service oriented economy complemented by other sectors and economic activities such as re-exporting. Dubai in essence is one of the world’s largest re-exporting entréports and is not a typical LDC economy that is characterized by primary production.

#### **5.6.6. Basic needs approach**

By the beginning of the 1970s, there was a growing concern that underdeveloped countries could not hope to compete effectively with

northern countries, even with sizeable injections of aid. With growing global poverty, inequality and unemployment and increasing doubt as to the efficacy of the policy application of politically grand theories such as the full-blown modernization and dependency approaches, there was growing international consensus for social scientists and policy-makers to restructure and improve the nature of the development process (Harcourt 1997:6 cited in Haines 2000: 7).

The basic needs development strategy gained currency and grew out of the work of the ILO World Employment Program (WEP) of the 1970s, bringing employment, people and human needs, back to the centre of development strategy (Haines 2000:7; Emmerij 2010:1). The objective of a basic needs approach to development is to provide opportunities for the full physical, mental, and social development of the individual. This approach focuses on mobilising particular resources for particular groups, identified as deficient in these resources and concentrates on the nature of what is provided, rather than on income (Streeten 1979:136).

#### **5.6.6.1. The central propositions of the basic needs approach**

Basic needs include two elements: first, certain minimum requirements of a family for private consumption: adequate food, shelter, and clothing, as well as certain household equipment and furniture. Second, essential services provided by and for the community at large, such as safe drinking water, sanitation, public transport as well as health, education and cultural facilities (Hoadley 1981: 150).

The basic needs approach, then, is the acceptance of the goal of providing all persons with a certain minimum standard of these as a central priority of development; its strategy is the deliberate adoption of a set of policies designed to provide them, or help people provide these for themselves (Hoadley 1981: 150). A basic-needs-oriented policy implies the participation

of the people in making the decisions which affect them through organizations of their own choice (Overseas Development Institute, 1978:3). This approach encompasses "nonmaterial" needs. They include the need for self-determination, self-reliance, political freedom and security, participation in decision making, national and cultural identity, and a sense of purpose in life and work (Streeten 1979:136). The basic needs approach, as described by Haines (2007:14) "is an idea beyond macro theory that involves targeting of the poor, the setting of quantifiable indices of poverty and the promotion of grass roots development projects."

#### **5.6.6.2. Criticism of the basic needs theory**

In that it is similar to other mainstream or alternative development theories, the basic needs theory approach to addressing underdevelopment suffers from numerous criticisms of which a few will be outlined below.

The first as argued by Ghai (1978:16) comprises the "allegations that the approach lacks scientific rigour; it is anti-growth and consumption-oriented; it is a recipe for perpetuating economic backwardness, neglecting industry and favouring antiquated technology; and it is against the New International Economic Order."

A second criticism of the basic needs theory, also by Ghai (1978:16), argues that it "...assumes away class and group conflicts and gives the impression that poverty elimination is all too easy. The article also considers other factors which may have contributed to the rising chorus of criticism directed against this approach."

A third criticism by opponents of the basic needs approach to development has argued that "by emphasizing activities which are essentially consumption oriented, the basic needs approach implies a reduction in the rate of growth" (Hicks 1979:985).

A fourth and stinging criticism that questioned the legitimacy and theoretical soundness of the basic needs approach was echoed by Crosswell (1978: 2) who noted 35 years ago that “the basic human needs (BHN) approach was little more than a slogan that expresses a worthy intention but offers no concrete policy guidance. Accordingly, it may be of some use in generating political support but not in formulating development plans.”

### **5.6.7. Neo-liberal paradigm**

The neo-liberal paradigm is a relatively recent off-shoot of the broader and other intellectual tradition of economic liberalism (Kabeer and Humphery 2007:78). Conceptually the term neo-liberalism has attracted a wide spectrum of definitions from many scholars across the left-right ideological divide, one such definition comes from a: (...) “group of Marxists who have drawn on Marxist political economy to frame neo-liberalism as the dominant capitalist ideology of the present” (Hardin 2012:9). Fundamentally, “...neo-liberalism is a political discourse, a body of economic theory and a policy stance that facilitate the governing of individuals from a distance” (Kotz 2000:1; Laner 2000: 6).

Broadly, speaking neo-liberalism is construed to embody the thoughts of echoed by Hindess who states;

....the term "neo-liberalism" denotes new forms of political-economic governance premised on the extension of market relationships. In critical social science literatures, the term has usurped labels referring to specific political projects (Thatcherism, Regeanomics, Rogemomics), and is more widely used than its counterparts including, for example, economic rationalism, monetarism, neo-conservatism, managerialism and contractualism (Hindess 1997 cited in Larner 2000:5).

Essentially, neo-liberalism is debated to have emerged as a policy response in the 1970s to “....the exigencies of the global economy, and contemporary

transformations in governance (Larner 2000:5). By the “...beginning of the 1980s, neo-liberalism’s ideas and practices profoundly challenged and destabilized post-1945 political projects, policy arrangements and practices of governing. Both in Latin America, where the Washington Consensus reshaped economies and political institutions and in the member countries of the Organisation for Economic Co-operation and Development (OECD), there was a move away from the perspectives on social policy developed in the three decades after 1945” (Jenson 2010:59).

#### **5.6.7.1. Central propositions of neo-liberalism**

The first proposition is that “....neo-liberals view the state’s participation in the economy as the burden of backwardness; they assume that the market exists, with all its legal, regulatory, and administrative characteristics” (Harik 2006:365). Neo-liberalism or neo-liberal orthodoxy thinking, promulgated by the Bretton Woods Institutions (namely the World Bank and the IMF), also came to be regarded as the “Washington Census,” and poses a serious dichotomy as to what the natural role of the state should be in relation to economic planning and involvement in the economy.

The global stage of neo-liberalism developed during the period from the late 1970s to the early 1990s, which witnessed major worldwide rise of, neoliberal ideas and the democratic electoral processes associated with capitalism in the context of the development process and development strategies (Henales & Edwards 2002:122; Önis & Şenses 2005:263). It is the considered view of Henales & Edwards (2002:122) that:

....Neo-liberal democratic capitalism ... expanded dramatically during the 1990s and came to be adopted even by social democratic and socialist movements and parties that had previously proposed reforms based on the continued centrality of state functions. This expansion finally engulfed socialist and social democratic governments in Europe such as those in Spain, Portugal, Greece, France, and Italy. In Latin America, neo-liberal

orthodoxy overwhelmed even those political currents with large mass appeal that historically represented independent national development such as the Institutionalized Revolutionary Party (PRI) in Mexico and Peronism (Justicialismo) in Argentina. Even Pope John Paul II became an ally of neo-liberalism through his encyclical *Centesimus Annus*.

Thirdly, the most common conceptualization of neo-liberalism is, as a policy framework marked by a shift from Keynesian welfarism towards a political agenda favouring the relatively unfettered operation of markets. Often this renewed emphasis on markets is understood to be directly associated with the so-called globalization of capital (Larner 2000: 6). Academic writers on development issues, recounted have noted that “...neo-liberalism is anti-development in perspective, not in terms of goals but in terms of means and by the 1980s, neo-liberalism’s ideas and practices profoundly challenged and destabilized post-1945 political projects, policy arrangements and practices of governing” (Jenson 2010:59; Peiterse2010:7). Contextually, Jenson explains that “... there was a move away from the perspectives on social policy developed in the three decades after 1945” (2010:59).

#### **5.6.7.2. Criticism of neo-liberalism**

The neo-liberal philosophy that structurally links free markets (which are almost never actually free) and democracy (generically regarded as political development) fundamentally fails to note a long history of state intervention in markets alongside democracy. It is also based on the unfounded assumption that unstrained markets will deliver broadly distributed wealth, and that neo-liberal economic theory and practice is somehow politically value-neutral which, demonstrably, it is not (Kingsbury 2004:11 in Remenyi, and McKay et al 2004).

The neo-liberal approach development constitutes a set of policies that forces borrowers (governments) to cut back on their state and public spending, to raise interest rates and to open up their economies to foreign

business and trade. Many Third World countries have become a laboratory for a huge experiment in neo-classical theory (Rapley 1996:76 cited in Haines 2000:22). Apter (1987 cited in Schuurman 2004:12), concurs, saying that "...as a development model the neo-liberal trajectory denies third world countries the policy tools to intercede actively in favour of those without jobs, houses, healthcare, schooling, and food." The process of neo-liberalization entails much 'creative destruction' not only of prior institutional frameworks and powers (even challenging traditional forms of state sovereignty) but also of division of labour, social relations, welfare provisions and ways of life and thought (Harvey 2005).

The neoliberal orthodoxy is experiencing the same problem now as it did between the two world wars: the sheer weight of empirical evidence showing that the ideology of unregulated, "free" markets is a serious obstacle to improvements in economic welfare in modern industrial economies. Extensive empirical tests of the neoliberal case for "radical reforms" that are supposed to solve the problem of unemployment have failed to find solid evidence to support the claim (Baker et al. 2005 cited in Panić 2005:147).

It has been argued by some scholars and critics that "neo-liberalism diminishes autonomy as regards national policy and is too costly for those members of society who are least capable of bearing the burden. Nevertheless, in the last quarter century, the ultimate vision of Western-style individualism seems to have taken hold, as democracies and liberal economies are being propagated all over the world" (Griffith 2006:4).

A probe into the empirical landscape casts further doubt on the intellectual underpinnings of the neoliberal orthodoxy in terms of the overall growth performance of the world economy. Such growth has been strikingly lower and more unstable during the neoliberal era when compared to earlier periods. The gap between developed and less developed countries has widened and there has been increased divergence within the Third World (Rock 1993 cited in Önis & Şenses 2005:267-268). A partial explanation is

provided by Stiglitz (1998:9) who noted that “...technical solutions and central prescriptions of the so-called Washington census were not enough to generate economic growth,” in the countries of the supposed “third” world.

#### **5.6.7.3. Neo-liberalism – Dubai points of convergence**

Dubai is the apotheosis of the neo-liberal values of contemporary capitalism: a society that might have been designed by the Economics Department of the University of Chicago. Dubai, indeed, has achieved what American reactionaries only dream of: an oasis of free enterprise without income taxes, trade unions or opposition parties (Atia 2005 cited in Davis 2006:60-61). “As befits a paradise of consumption, its unofficial national holiday, as well as its global logo, is the celebrated Shopping Festival, a month-long extravaganza sponsored by the city’s 25 malls that begins in January and attracts 4 million upscale shoppers, primarily from the Middle East and South Asia” (Atia 2005 cited in Davis 2006:60-61).

The neo-liberal route to rapid growth has been apparent not just since 1985 in Southeast Asia (World Bank cited in O’ Hearn 1998) but also in Dubai since 1998. The political economy of Dubai’s economic transformation is conceptualized and designed on the premise of state-led free market capitalism where the market is king. “...The state’s desire to develop and diversify its local economy in recent years has entailed the adoption of a number of distinctly market-led strategies. Chief among these was the launch of a massive urban construction program driven by newly commodified real estate markets, internationalized property ownership laws” (Buckely 2012:260).

#### **5.6.7.4. Neo-liberalism Dubai points of divergence**

As outlined above by Davis (2006), Dubai is quintessentially the epitome of the purest form of capitalism. However, the Dubai Model of economic neo-liberalism departs from the mainstream literature concerning the minimum

role of the state in the economy. Section 10.2 notes that free market capitalism perceives the state in the economy as a regulator, facilitator, shareholder and main player. The eco-system of the government related entities (GRE) provides an expansive imagery of the state's over-arching tentacles in the economy. The Dubai state may be easily be described without contestation as being corporatist or entrepreneurial.

Additionally, in Dubai and the UAE in general, the government has been deliberate in its pursuit of economic liberalization strategies, through encouragement of competition in some sectors of the economy; for example, privatization of the banking sector. Nonetheless, Dubai's economic activities are driven by a state led capitalism.

## **5.7. Conclusion**

The last half-century has demonstrated that development is possible, but also that development is not inevitable; and is a phenomenon greater than just a matter of technical adjustments, but involves the transformation of society (Stiglitz 1998:42). Through the continually growing variety of development theories it has become apparent that there is no crystallization of development concepts which have coalesced around some fundamentals that are constitutive of development. The artificial divide between developed and developing countries has contributed to the continued socio-economic malaise of citizens in the "third world" countries some six decades after development was first championed by President Truman.

The theoretical shifts and seemingly endless debates on approaches to development or underdevelopment "gave rise to a veritable industry in the social sciences, with a complex and often ambiguous relationship to governmental, international, private agencies actively engaged in promoting economic growth, alleviating poverty and fostering beneficial social change in 'developing' regions of the world" (Cooper & Packard 2005:146). Paradoxically, in spite of the industry that has sprung up around the desire

to modernize and develop societies, the vast majority of the world's population still "languishes in poverty" (Matunhu 2011:66) as mainstream and alternative development models have tended to exacerbate an already untenable socio-economic situation in non-European countries.

The proponents and protagonists of current development paradigms have not been able to effectively address the dialectical unease between western hegemonic power (promoted in the form of development paradigms) and historical exploitation of the so-called third world, and need to ensure that indigenous solutions are found to address the issues of poverty and economic stagnation. As a partial and simplistic solution, Haque (1999:130), suggests that "the field of development should allow for the epistemological flexibility to accommodate various modes (e.g. empirical, interpretive, critical) of understanding development and to assess the intellectual strengths and weaknesses" of development paradigms.

Consequently; it is safe to conclude that there is no easy solution to the problem of poverty, environmental degradation, political exclusions at a national level and all the other issues that are constitutive of development as a process and in nature, which are fundamental to achieving the objectives of development. The subsequent chapter will explain the hybrid rentier developmental and competition state model that forms a theoretical template to explain Dubai's socio-economic transformation.

## **Chapter Six: The RDC State Paradigm: Theoretical Framework for the Dubai Model**

*We are in part to be blamed, but this is curse of being born with a copper spoon in our mouths. Kenneth Kaunda, Former Zambian President*

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### **6.1. Introduction**

Based on the proposed theoretical framework for situating Dubai's socio-economic development strategies, this chapter argues that Dubai's development strategies cannot be pigeonholed into any one development paradigm but instead represent a hybridization of the rentier, competition and developmental State theories that were briefly argued in chapter one. This chapter thus examines the theoretical framework of the epistemological roots of Dubai's socio-economic development model between 1998 and 2008, while the mechanics and pragmatics of the model are further developed and discussed in chapter seven.

The examination of the abovementioned theoretical and conceptual framework originated from the inapplicability of the mainstream development paradigms as articulated in chapter five. The approach to development in Dubai had an element of uniqueness to it which is not reflected in the mainstream theories. In addition, a monolithic paradigmatic view cannot be taken of Dubai's approach to socio-political and economic development in the ten years prior to the global financial economic crisis of 2008/2009. In this chapter the researcher argues that Dubai on its own, unlike the other emirates in the UAE, demonstrates combined features of a rentier, developmental and competition state. In other words, the city state cannot be stereotyped as, a pure rentier-state, competition and or developmental state. Chapter seven addresses and clarifies the study's position that while on the surface; the geo-economics of Dubai appears to be those of a pure rentier-state, a set more of complex paradigms are required to do justice to Dubai's development during this period. This, despite its initial appearance of being a rentier state, given that the sheikhdom is an

insignificant oil producer, coupled with the city being a recipient of “economic rent” from its expatriate residents, businesses, visitors and directly from Abu Dhabi as part of the federation’s constitutional arrangements.

Three main sections make up this chapter: Section 6.2 and its sub-sections tackle the important aspects of the state, its role and state–society relations; Section 6.3 covers the entire gamut of the three paradigms that forms the centrality of the thesis and Section 6.4 concludes and summarizes the fundamental issues raised and expounded in the body of the chapter.

## **6.2. Contextualizing the Notion of a State**

The word “state” has two distinct meanings in everyday usage, which are frequently conflated. One use refers to sovereign political entities: those states with international recognition, their own boundaries, their own seat at the United Nations and their own flag. The other refers to that set of institutions and practices which combine administrative, judicial, rule-making and coercive powers (Owen 2004:2). It is the second of the two definitions that is relevant and of importance to this chapter. According to Weber, “...the state is an actor able to formulate and pursue its own goals” (Luiz 2000:228). Migdal (1988:19 cited in Luiz 2000:228), using a Weberian ideal-type perspective, defines the state as:

[...] an organization, composed of numerous agencies led and coordinated by the state's leadership (executive authority) that has the ability or authority to make and implement the binding rules for all the people as well as the parameters of rule making for other social organizations in a given territory, using force if necessary to have its way.

Implicit in the definition provided above is the fact that the state is not static: it evolves over time due to numerous internal and external factors such as the dominant political and economic dogmas in vogue at a

particular point in time. Similarly, the state and its bureaucracy has been an important locus for the use of legitimate power to achieve the will of the people, either through a social contract as is customary in Dubai and in the neighbouring Gulf Cooperating Council (GCC) nation-states; or through a strong state-society relationship as obtains in some western-style democracies. The various roles played by the state are discussed below.

### **6.2.1. Context of state intervention**

One of the most extraordinary enigmas in economics lies in the area of the state (Luiz 2000:227). The World Development Report (1997) makes the salient point that “...around the globe, the state is in the spotlight. Far reaching developments in the global economy have us revisiting the basic questions about government: what its role should be, what it can and cannot do and how best to do it.” As a partial answer to those fundamental questions, Fritz and Menocal (2007:540) articulate the view that “in the 1960s, donors assumed that states in the developing world could act as engines of development and therefore could be funded to enable investments and generate growth.”

However, regardless of the general admissions by various apolitical groups, international donor agencies and government, as well as domestic stakeholders, “...the role of the state in promoting economic growth and social progress in the developing world has been a subject of contestation among international development experts for the past 50 years” (Fritz & Menocal 2007:540). All states have a role to play in managing their economies, but the nature and extent of this involvement is context-specific, as there is no fixed role for the state that fits every economy (Poverty and Human Development Report, 2009). Each nation’s distinct ideology determines the mix of market and non-market mechanisms used in the management of the economy which, in turn, locates the country’s position along the continuum between a wholly-planned economy at one end and a market-rational economy at the other (Ibid).

The Poverty and Human Development Report (2009) further states that:

....every state, whether developmental or market-rational, performs the following core functions: Defining the national vision and strategic direction, establishing medium-term strategies to translate the national vision into concrete action, strengthening and aligning the institutional framework for implementation of the medium-term strategies, maintaining macro-economic stability, addressing blockages to economic growth.

In view of the core functions of state listed above; the Government of Dubai through its state apparatus, must “....get the fundamentals right without which the core of every government’s mission (...) [without which] sustainable, shared, poverty-reducing development would be impossible” (WDR1997).

The traditional core functions of the state as societies have come to accept them globally over the years have come under tremendous pressure by proponents of the Washington Consensus particularly, during the period of the 1980-90s when developing countries implemented structural adjustment programmes (SAPs). However, such pressure has dissipated, according to Van Donk (2009), who noted that “...the current global economic crisis reasserts the centrality of the state in development. Both locally and internationally, there is a move to place the state at the centre of development.” The recent wave of neo-liberal restructuring in the developing world has increasingly been accompanied by a process of re-regulation. The notion of the regulatory state clearly underlines the growing recognition on the part of key transnational and domestic actors that market liberalization *per se* in the absence of effective regulation will fail to translate into successful economic performance (Majone 1997; Vogel 1996 cited in Bakir and Önis 2010:77). This ideological discourse has not been lost on the Government of Dubai; however its role has been influenced by history, culture, religion and the state of the city’s economic trajectory prior to and subsequent to the departure of the British from the former Trucial states of the Arabian Peninsula.

**Table 6.1: Functions of the state in economic development**

<b>Functions</b>	<b>Addressing Market Failure</b>			<b>Improving Equity</b>
Minimal Functions	Providing Pure Public Goods Defence Land/Law and Order Property Rights Macro-economic Management Public Health			Protecting the Poor Anti-poverty Programmes Disaster Relief
Intermediate Functions	Addressing Externalities Basic Education Environmental Protection	Regulating Monopoly Utility Regulation Antitrust Policy	Overcoming Imperfect Information Insurance (health, life, pensions) Financial Regulation Consumer Protection	Providing Social Insurance Redistributive Pensions Family Allowances Unemployment Insurance
Activist Functions	Coordinating Private Activity Fostering Markets Cluster Initiatives			Redistributive Asset Redistribution

**Source: (World Bank, 1998)**

The role of the state (cf. the summary of the content in Table 6), was deduced by Rapley as being one “that [...] could both develop economies and alter societies in such a way as to make them suit human needs. Underlying this was the belief that the state could embody the collective will more effectively than the market, which favoured privileged interests” (1996). Being a city-state on the periphery of the global economy at the beginning of the 20<sup>th</sup> century, the state apparatus of Dubai has embraced the notion of a strong autonomous state that would pursue human development in its entirety, so as to embody meet the collective will of its people.

### **6.2.2. State-society relations**

It is virtually impossible to construct a theoretical framework to analyze Dubai’s socio-economic transformation in recent times without fully understanding the state-society relations that have emerged since 1833

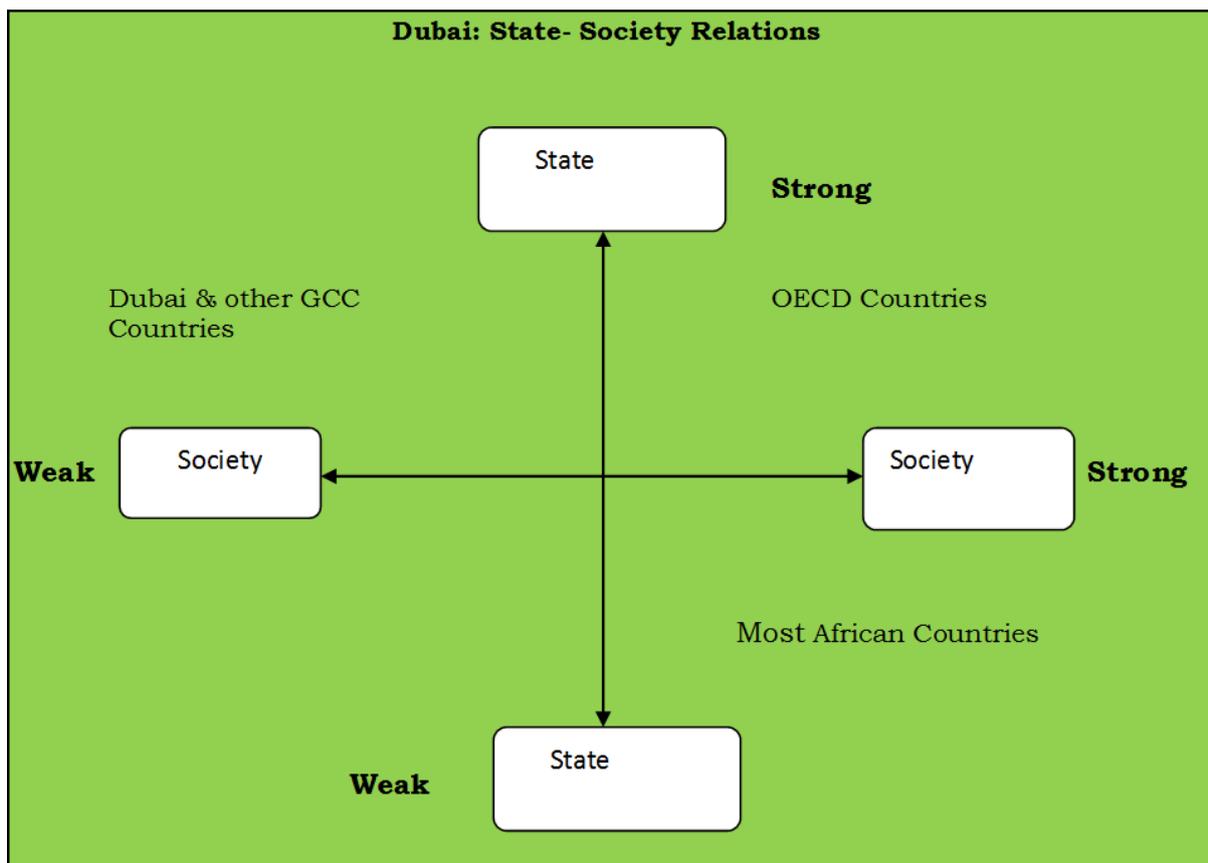
when the Maktoum family established an autocratic monarchical rule. “The concept of hegemony, as developed by Gramsci from Marx and Lenin’s conception of the state” (Ayubi 2006: 6) has been a permanent feature of the Dubai monarchical state.

For Gramsci, the state does not simply control society through coercive or regulatory means. It exercises ideological hegemony by manufacturing cultural and ideological consent in civil society (Femia 1981:31-5 cited in Landau 2008: 245). Gramsci’s hegemonic concept may be used to describe the state-society relations in Dubai, in which the state uses its power to display hegemonic power over the society, thus creating a weak society that is not able to articulate its ideological tendencies. The state of Dubai is linked to the society not by ideological rhetoric, but instead to a large extent by religion, culture and language. It may also be argued that Dubai’s state-society relationship has been fossilised since 1971 “...into an authoritarian regime with relatively strong capacity” (Zhao 2001:9) to put down any opposition to the legitimacy of autocratic monarchical rule. The approach to state-building is a “top down” one, with an emphasis on the formal state structures such as the police, the Ministry of Social Welfare, the Khalifa Development Fund, the Dubai Cares Humanitarian Fund, etc.

The state–society relationship in Dubai is also based on a tacit agreement that promulgates a system which engenders economic, social, territorial and human transformation of the emirate. This tacit agreement is regarded in international political economy discourse as a social contract, as referred to in section 3.4.5, which (significantly) lacks political competition and coalesces around the subjugation of a weak society. In other words, the state-society relations in Dubai lack the “golden triangle” matrix of state, citizens and society. Instead, what is attained is an admixture of a traditional, hereditary mode of political governance supported by modern constitutional provisions that legitimize the coercive power of the state, accompanied by its responsibilities, and the rights of citizens.

State-society relations as defined by DFID are the “...interactions between state institutions and societal groups to negotiate how public authority is exercised and how it can be influenced by people. They are focused on issues such as defining the mutual rights and obligations of state and society, negotiating how public resources should be allocated and establishing different modes of representation and accountability” (DFID, 2010:15 cited in Haider 2011:6). This supports the view of Zhao that “state-society relations (...) are understood in terms of the nature of the state, the nature of society and the linkages between the state and the society” (Zhao 2001:39). Figure 6.0 illustrates an attempt to graphically map and present the nexus between state and society.

**Figure 6.1: Dubai: State- Society Relations**



**Source: Adapted from Luiz (2000)**

Figure 6.1 illustrates that phenomenon which political sociologists tend to analyze as “...the weight of a state by vis-à-vis the society it pretends to control; i.e. its autonomy in dealing with other socio-economic actors and its

capacity to influence their behavior” (Salame 1990:32). “Most western industrial countries fall into the category of strong state and strong society. The modern state has a long history and has evolved as an outcome of struggles within civil society. As such, the state possesses a high degree of legitimacy and its authority is firmly embedded in social structures. The state system is relatively stable and reflexive” (Luiz 2000:231). From the diagram above, it may be observed that no Arab country, including Dubai, falls into the Strong-State / Strong-Society category.

In the upper left hand corner of the quadrant in Figure 6.0, Dubai and its GCC neighbours are depicted as representing examples of Strong States and Weak Societies. Political scientists would regard the state of Dubai as a “*dirigiste state*”, indicating that the state is in total control of national planning and the distribution of welfare benefits, or in other words the economic space is dominated by statism. In addition, Dubai is not dissimilar to the Levant and Maghreb states in the Arab world, where the “state-society relationship, is as such, in which the state acts and society reacts, is derived in large measure; from the absence of a ‘populist-mobilizational’ history and the substantive regime autonomy in economic planning” (Schmidt 1990:20, Hertog 2010:61). Given the developmental nature of the post-Pax Britannica state in Dubai, there is seemingly a disconnection between the small group of bureaucratically anointed functionaries who, to a large degree “...have remained isolated from direct pressures stemming from society, [while] the state capacity has also been utilized in order to allocate resources in the interest of the whole society” (Benczes & Szent-Iványi 2010:1). Nonetheless the Dubai society has remained weak and or non-existent and subordinated to the state elite and monarchal rule.

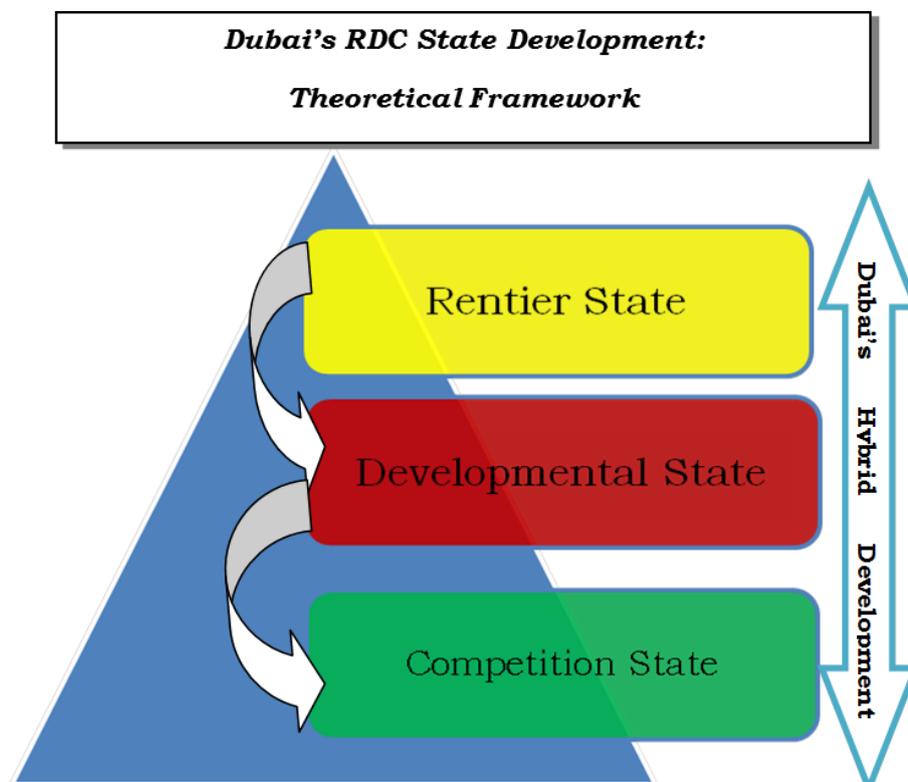
Furthermore, the Strong-State, Weak-Society scenario in Dubai may be explained as the state having for many years reduced the ideological space of civil society, whose expression is monitored by various state apparatuses. The socio-political culture and the structure of the society and economy must be totally understood in order to design a theoretical framework within

which to explain the city-state’s unparalleled meteoric rise to global prominence as a model for the developing world to emulate, or not. In this regard, Dubai’s state-society relationship cannot be ignored because it is intertwined with the development strategies and policies that have been deployed by the monarchical and state institutions, as is discussed below.

### 6.3. Theoretical Framework of the Dubai Model

This thesis adopts the central premise that the theoretical framework of Dubai’s development as a city-state cannot be limited to one of the mainstream development paradigms but instead is an admixture of three, as referred to earlier and depicted graphically in Figure 6.2, illustrating the study’s hybrid development model. Each model is a sub-model of the overall model.

**Figure 6.2: Dubai's RDC State Development: Theoretical Framework**



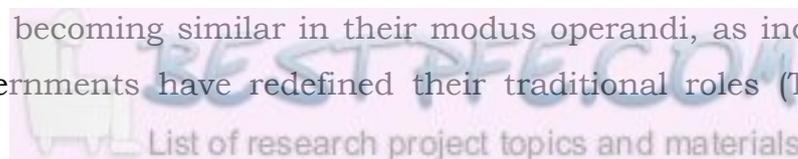
Source: Author’s Compilation (2012)

In the first instance, Dubai may be regarded as the “Arab Falcon” that has elevated itself from the background of a nomadic, tribal, paternalistic form of governance into a global city. It is in terms of this premise that Campbell (2009), posed the question, “...what is the development strategy at work in Dubai?” This semi-autonomous city-state’s socio-economic transformation depends on a convergence of approaches or development paradigms, or what this author terms the “RDC Model”, as depicted above. The proposed model is informed by a combination of variables: including the uniqueness of Dubai’s development trajectory and a model that does not lend itself fully to the application of the main development theories

Secondly, there is a lack of in-depth analysis of Dubai’s development trajectory within the rentier-theory paradigm since the discovery of oil in 1966. The rentier-state conceptual framework which developed over several decades tended to articulate views concerning the political economy of hydrocarbon rich states within the southern Gulf and has been fully explored by theorists. However, the extracting of rent from residents and businesses through a burdensome sponsorship system by the state has not been explored, a situation which falls outside of the classical definition of the rentier-state.

Thirdly, the academic discourses on the development of the oil rich southern Gulf States in the Arabian Peninsula are inevitably composed and approached from the perspective of the rentier-theory paradigm and the “oil curse discourse”. However, there is even less academic debate and analysis with regard to Dubai and the UAE in general as a developmental state. The emphasis of academics, development practitioners and politicians from western countries tends to fall on the lack of western-style democratic institutions in the region.

Fourthly, many governments from emerging economies and transnational corporations are becoming similar in their modus operandi, as increasingly many such governments have redefined their traditional roles (Table 6.0)



and have become corporatist or entrepreneurial states. Essentially, this approach to national development uses global expansion business strategies; the Government of Dubai, through its growing system of state owned entities, is no exception. The city state has developed domestic, state-owned commercial entities with the strategic intent of turning them into competitive national and global entities. Some notable examples of these are: Dubai World, Emirates Airlines and Nakheel (a property developer). This attempt at national development is underpinned by some tenets of the competition state theory. The emergence of a corporatist attitude in the Dubai Government and the subsequent expansion of the state have led me to advance the proposition that Dubai has been morphed into a mini competition state.

In summary, the over-arching features of the Dubai development model do not lend themselves to the examination and or application of any single development paradigm. This is due in part to the fact that “Dubai has long overcome its oil dependency (but retained its rentier structures), transforming itself into an economic system strongly orientated to the market and the private sector” (Sailer 2009:11), with increasingly larger roles being assumed by state institutions. This is in concert with the conventional practice of a state-led approach to development and state led capitalism. Thus, invariably the fundamental question arising is: which of the development paradigms could be used to competently situate Dubai’s socio-economic development within a theoretical framework without creating a methodological misunderstanding?

### **6.3.1. Rentier state: concept and assumptions**

The rentier state was theorized and diffused into the hybridization model explained above. The “concept of the rentier state was postulated by Hossein Mahadavy with respect to pre-revolutionary Pahlavi Iran in 1970” (Yates 1996:11). However, “...the concept of a rentier state gained renewed interest with the advent of the oil era and the emergence of the new Arab oil-

producing states” (Beblawi & Luciani 1987:49). The rentier-state theory is not dissimilar to other meta-narratives on development paradigms and is “...a complex of associated ideas concerning the patterns of development and the nature of states in economies dominated by external rent, particularly oil rent” (Yates 1996:11).

There are many and varied definitions of a rentier-state; invariably these definitions will be based on the socio-political ideology of the proponent. Hazem Bebalawi, a recognized authority on the concept, acknowledging this, stated unequivocally that “....the purpose of an attempt to define a rentier state is not to reach an abstract notion of such a state but to help elucidate the impact of recent economic developments, in particular the oil phenomenon on the nature of the state in the Arab region” (Bebalawi & Luciani 1987:51).

The basic definition of a rentier state is: “a state reliant not on extraction of the domestic population’s surplus production but on externally generated revenues, or rents, such as those derived from oil” (Anderson 1990 cited in Kuru 2002: 52). Krause continues that the “rentier state is defined as one that obtains at least 40 per cent of its gross domestic product (GDP) from foreign sources or rents” (Meulen 1997:51 cited in Krause 2009: 7). Dubai’s daily current oil production would not qualify the emirate to be fully regarded as a rentier state. However, the UAE receives large amounts of revenues from oil exports (Schwarz 2011:431) and as Dubai is a significant member of the UAE Federation, the Government of Dubai has been able to use extracted rent at a Federal level to develop a functional rentier state or semi-rentier state. In conjunction with the distribution of petro-dollars, citizens and government alike have extracted external rents from resident expatriates under the sponsorship system to prolong the process of patronage. In support of this conclusion, Aartun (2002:8) noted that “....in a rentier state the government plays a large role in distributing wealth to the population, without imposing income tax...” thus, enshrining the culture of patronage and state “welfarism.”

Rentier state proponents imply that: “men of a fat and fertile soil are most commonly effeminate and cowards; whereas contra-wise a barren country makes men temperate by necessity and by consequence careful, vigilant and industrious” (Bodin 1967 cited in Ross 1999:309). Subsequent to the discovery of oil in the 1950s in Abu Dhabi and Dubai in the 1960s the citizens of this hydro-carbon state have been fed a diet of entitlement from the state that morphed them into a people devoid generally of industriousness as the state has become their source of patronage.

Hunter and Malik (2005:148-149) have added an important dimension to the multiplicity of definitions stated above by noting, “the rentier-state is financially independent from the society, and is politically autonomous.... therefore it does not need to obtain political legitimacy through democratic representation; and that rentier state inherits its political order from history and does not create their own.” Dubai, and the other UAE emirates, is governed by a monarchical authoritarian regime that practises dynastic succession and is in the process of creating its own political order and history, given that it did not inherit a colonial state *per se* from the British when they left in 1971. The canonical literature on rentier states and the “resource curse” by Ross (1999), Karl (1997) and others, has shown that oil and gas exporting countries have demonstrated a tendency to become authoritarian, as is the case with Dubai, albeit benevolently so. It is also a view strongly held by experts on the Middle East that the inanimate hydrocarbon beneath the earth’s surface of the Arabian Gulf is strongly correlated with the dynastic authoritarian regimes in the GCC. It is important to note Dubai’s authoritarian regimes predate the discovery of oil in the 1960s and such a discovery only serves to solidify the monarch’s hold on political power.

The rentier-state theory has been summarized most thoroughly by Lenin (1982 cited in Farfan-Meres 2010:37) who described the rentier state as “parasitical capitalism which was condemned to fail.” On the contrary Lenin’s prediction has not yet been fulfilled in the GCC states. This is

because as long as the external rent keeps flowing, governments are able to buy and maintain the political acquiescence or legitimacy of their citizens in return for the immediacy of economic materialism and the subjugation of political aspirations and pluralism. The Developmental State paradigm is examined below as it forms an integral part of theoretical framework of this thesis.

### **6.3.2. Developmental state**

The political economy of development took on a new dimension in the 1980's at the height of the debate between the "state versus market" theories (Moore 2001:44). The concept of the "developmental state" (DS) was then added to the lexicon of development discourse; its socio-political and historical nuances are clarified below.

Öniş (1991:111) and Cloete (2010:3) are of the opinion that the DS has its origins in "Chalmers Johnson's (1982) analysis of the development of the Japanese state from 1925 to 1975." He also pioneered the concept of the '*capitalist developmental state*' as explained below:

.... Johnson's model of the developmental state, based on institutional arrangements common to high growth East Asian economies, embodies the following set of characteristics. Economic development, defined in terms of growth, productivity, and competitiveness, constitutes the foremost and single-minded priority of state action. Conflict of goals is avoided by the absence of any commitment to equality and social welfare. Goals formulated specifically in terms of growth and competitiveness is rendered concrete by comparison with external reference economies which provide the state elites with models for emulation (Öniş 1991:111).

Like the earlier mercantilist arguments, the developmental state thesis derives from observations about the actual economic practice, first in Japan and later in South Korea and Taiwan (Woo-Cummings 1999:5). The concept of the DS gained unprecedented traction and currency when the global focus

and attention turned to the development taxonomy of what came to be known as the “*Asian Miracle*”, in the 1980s. Such traction and currency was gained “in a polarised debate about the respective roles of state and market in economic development in the 1980s, especially when the role of the state was considered pivotal to economic development in East Asian countries like Japan, Taiwan and South Korea. (...) However, the notion of a developmental state is subject to different forms of interpretation for semantic, ideological and empirical reasons and is thus controversial” (Cao 2008:167).

Notwithstanding the polarized debate, ideological and empirical controversy; Bolesta notes that

.... the DS concept is not new as historically developmental states existed in Bismarck’s Prussia and in Japan during the Meiji era. The governments of those states followed a state designed developmental path and until now have been favouring a state interventionism over a liberal open market, be it in the form of East Asian fast developer or of what later became the continental-European model of a capitalist welfare state (Bolesta 2007:106).

However, building on the groundbreaking work of Johnson (1982), scholars such as Deyo (1987), Woo-Cumings (1999), Alice Amsden (1989), Robert Wade (1990) and Evans (1995), have catapulted the DS concept in to prominence as a theoretical construct ([www.e-ir.com](http://www.e-ir.com)). This construct has been “...positioned between a liberal open economy model and a centrally planned model suggests its being neither capitalist nor socialist in texture” (Bolesta 2007:106). The description mirrors Dubai’s development trajectory which is the very embodiment of it, and strategically straddles neo-liberalism on the right and state-centric developmentalism on the political left.

The developmental state may be defined as a state in which the political elite aims at rapid economic development and gives power and authority to the bureaucracy to plan and implement efficient policies. A high rate of economic growth legitimizes the centralized state apparatus; therefore, the

nation tends to be excluded from decision-making processes on economic development (Abe, 2006:8). The Executive Council of Dubai represents that political elite unit charged with the responsibility to plan and implement socio-economic development policies and strategies. The theoretical underpinnings of the DS were aimed at being a counter-revolutionary force to the “rising hegemonic position of the neo-liberal orthodoxy and the marginalization of the dependency theory, which challenged what was regarded as a benign state which would always act in the public interest” (Önis & Şenses, 2005:264). Meredith Woo-Cumings (1999:1) describes the theory of the “developmental state as the explanation” for the socio-economic prescription that transformed Dubai from what the dependency theorists regarded as the global economic periphery into an economy that is fully integrated into the global centre.

Cao hypothesizes that “...a developmental state is a particular historical, political and institutional formation with defined normative goals and a capacity to effect fundamental change” (Cao 2008:167). Close examination and analysis of Dubai’s period of exponential economic transformation took place within the parameters of a set development agenda as outlined in the Dubai Strategic Plans of 1996, 2010, 2015. It has been pointed out that “to be judged developmental, a state does not need to be in control of everything and successful in all spheres. A transformation that is positive overall may be accompanied by a range of negative consequences, such as major environmental damage or greater social tension, which become problems that society and the state have to address in a subsequent phase” (Fritz & Menocal 2007: 533). These issues represent the under-belly of the “Dubic Inc Model” (cf. chapter nine).

The suggestion that Dubai may be considered a developmental state rests on the notion that there exists “a symbiotic relationship between the political and bureaucratic elite and entrepreneurs. A variety of interventionist measures was used to direct resources away from old to new industries in order to alter their long-term development trajectory” (UNCTAD 2007:58). In

Dubai, “economic rents were marshalled to address the objective of rapid economic growth” (UNCTAD 2007:58). Fundamentally, “...there seems to be a deviation from the nostrums” (Moore 2001:45) of the conventional developmental state, as the Dubai model of DS is best viewed as bureaucratic, authoritarian and service oriented. These and other issues will be addressed in chapter seven where Dubai’s development policies and strategies are explored within the proposed theoretical framework.

### **6.3.3. Competition state**

As the anthropology of Dubai Inc (1998-2008) most transformative period is being written, undoubtedly it will reveal what Low (2006:515) describes as the “...ubiquitous and omnipotent presence of the,” Dubai state apparatus. Similarly, as in the rentier and developmental state paradigms explained above, the competition state paradigm forms an integral part of the tri-modal theoretical framework approach that seeks to explain the Dubai Inc developmental path.

The competition state is a useful paradigmatic instrument for analyzing and situating Dubai’s socio-economic transformation between 1998 and 2008. Rather than attempting to insulate (Cerny & Evans 2004) Dubai from global economic and financial integration (globalization) the CEO of Dubai Inc, Sheik Mohammed Bin Rashid Al-Maktoum, ruler of Dubai, Prime Minister and Vice-President of the UAE and his close confidantes (state actors) in the Executive Council embraced “international market pressures, marketization and openness” (Cerny & Evans 2004). Having said that the question which inevitably arises: “what is the conceptual and theoretical underpinning of the competition state theory?” Fougner (2006:166) responds by noting. “... the notion ‘competition state’ was coined by Philip G. Cerny.” This was in connection with his analysis of how, “... forms of state economic intervention, or, in its broader form, the economic and social activities of the state (...) – [were changing] in the attempt to respond to, and to shape and

control, growing international economic interpenetration and the transnational structures to which it gives rise (Cerny 1990 cited in Fougner 2006:166).

The heuristic theory of the competition state, as originally developed by Philip G. Cerny (1990) and Cerny and Evans (2000), refers to “the transformation of the state in consequence of elite perceptions of the imperatives of globalization. In particular, it is claimed that the shift from the Industrial Welfare State to the Competition State has been informed by political elite perceptions of global realities which have underpinned state strategies for navigating and mediating processes of globalization” (Evans & Lunt 2010: 1). Paradoxically, the competition state deviates from and negates the Washington Consensus’s neo-liberal prescription of a minimal state. Instead Cerny (2007:251) sees that in most cases there is an “actual expansion of *de facto* state intervention and regulation in the name of competitiveness and marketization.” Kirby & Hussey (2009) clarify by noting that “Cerny et al. recognize that neoliberal public policies ‘do not merely constrain but also bring opportunities’.” From the researcher’s personal observation, it is clear that the Government of Dubai, through the internationalization of local enterprises such as the aforementioned Dubai World, Nakheel, Emirates Group and Jumeria Hospital Management Company *inter alia*, is seeking to take advantage of globalization.

The diabolical onslaught and unquantifiable socio-economic consequences of the IMF and World Bank sponsored structural adjustment programmes (SAPS) have inspired a new state to emerge in which:

.... the state does not merely adapt to exogenous structural constraints, domestic political actors take a proactive lead in the process through both the restructuring of the state and policy entrepreneurship. State intervention itself is therefore aimed not only at adjusting to, but also sustaining, promoting, and, expanding an open global economy in order to capture its perceived benefits. Such strategies, while embedding the role and power of political elites, also undermine the traditional generic function of the state

seen in terms of conceptions of social justice and the public interest and create the space for social conflict (Evans & Lunt 2010: 1).

Whereas the DS concept emerged from analyzing the ways in which certain developing states in East Asia and in Latin America succeeded in building a modern and competitive industrial economy, the competition state concept emerged from analyzing the ways in which developed industrial states were restructuring themselves in response to the constraints and opportunities opened up by neo-liberal globalization in the 1990s (Kirby & Murphy 2007:4). The transformation of the national state into a competition state “lies at the heart of political globalization. In seeking to adapt to a range of complex changes in cultural, institutional and market structures, both state and market actors are attempting to reinvent the state as a quasi-‘enterprise association’ in a wider world context” (Cerny 2007: 251).

Competition state theorists on the other hand, identify a logic that moves state actions away from the maximization of welfare towards the promotion of enterprise and profitability as national elites respond to the pressures of globalization (Kirby & Hussey 2009). As indicated in Section 3.3.2, Dubai is presently diversifying its economy in an attempt to develop a new political economy in the city: this is spearheaded by a collection of well administered Government Related Enterprises (GREs) that are not involved in the unproductive, extraction of external rent activities. Instead their aim is to create, in a systematic manner, a web of local and internationally based group of entities that are globally competitive. It is imperative to note that at the summit of the neo-liberal orthodoxy the Dubai state did not deconstruct itself and subsequently withers away but instead re-configured itself and used externally and internally generated rent to develop into a competition state.

**Table 6.2: Dimensions of each paradigm that constitute the Dubai RDC Hybrid Model**

Dimensions of each paradigm that constitute the Dubai RDC Hybrid Model		
Rentier State	Developmental State	Competition State
<p><i>(Beblawi &amp; Luciani 1987, Yates 200)</i></p>	<p><i>UNCTAD 2007, Evans (1995), Woo-Cummings (1999)</i></p>	<p><i>Evans (2009) Cerny (2007), Kirby &amp; Murphy (2007).</i></p>
<p>The rentier state model is an analytical tool understanding the lack of democracy in economies driven mainly by exogenous sources of rent-like oil wealth.</p>	<p>The ideology of the developmental State is fundamentally “developmentalist”, as its major preoccupation is to ensure sustained economic growth and development on the back of high rates.</p>	<p>The concept of the competition state refers to the transformation of the state from within with regard to the reform of political institutions, functions and processes, in the processes of globalization.</p>
<p>In a rentier state - as a special case of a rentier economy - only a few are engaged in the generation of this rent (wealth), the majority being only involved in the distribution or utilization of it.</p>	<p>Thus, what makes the developmental state effective is not just autonomy, but “embedded autonomy”, in which the State is immersed in a network of ties that bind it to groups or classes that can become allies in the pursuit of societal goals.</p>	<p>A central paradox of the competition state is that the emergence of such a state does not lead to simple decline of the state but instead necessitates the expansion of the <i>de facto</i> state intervention and regulation in the name of competitiveness.</p>
<p>An important corollary of a rentier state is that government is the principal recipient of the external rent in the economy.</p>	<p>Legitimacy of the state is derived from its achievements and performance.</p>	<p>A shift from macroeconomic to microeconomic interventionism, as reflected in both deregulation and industrial policy</p>
<p>The rentier-state violates the most sacred doctrine of the liberal ethos: hard work.</p>	<p>Exclusionary, based on primarily on close relations with selected business groups. Labour is controlled.</p>	<p>The social security characteristics of a competition state can be described as follows: domestic social security policy is subordinated to the economic needs of international competitiveness.</p>
<p>The externality of the rent origin is crucial to the concept of a rentier-state economy. The existence of an internal rent, even substantial is not enough, though it could indicate the existence of a strong economy.</p>	<p>Promote visionary, committed leadership; create meritocratic civil service in key areas, imbued by strong esprit de corps and concerns for national goals.</p>	

**Corollaries: of Theoretical Framework Model**

**Sources: Adapted from literature by the authors mentioned in table 6.1 above**



#### **6.4. Conclusion**

The sociology of Dubai's socio-economic transformation is the subject of heightened global debate: regarding the way in which the state was able to defy the oil curse theory and create one of the wealthiest cities on earth within such a short period of time. It is generally accepted that there is no one path to development; thus this chapter argues that Dubai's development model cannot be articulated and fully analyzed from the perspective of the stereotypical label of its being purely a rentier state because of the considerable amount of hydrocarbon under the ground in the UAE and GCC in general. The abundance of development theories globally in vogue indicates that there is no single development theory that may be regarded as the panacea to provide solutions to the ills of absolute poverty and underdevelopment.

The theoretical framework for analyzing the socio-economic development strategies of Dubai over the period of 1998-2008 is part of a broader framework for explaining a possible development model constructed and implemented by this city-state. The hybrid approach to exploring Dubai's developmental path is deemed appropriate to sufficiently analyze the emirate's developmental goals and efforts which were contrary to "...the 'official' doctrine of the World Bank's neo-classical policies of deregulation, privatization, central bank independence, independent judiciary, and dismantling of the welfare state" (Kim 2009: 384). Furthermore, it was found that the state-society relationship is important to fully understand how the Government of Dubai's approach to development ensures socio-economic progress and social cohesion in a society that is governed by a patriarchal monarchy.

## **Chapter Seven: Demystifying the Dubai Inc Model**

*In development man is the central actor in the process*

*By Bernardo T.G. Chidzero,*

*Enrique Iglesias,*

*and Michel Rocard*

1992

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### **7.1. Introduction**

The economic model of the UAE and Dubai in particular, is an architectural design and construct based on the premise of “life after oil and economic alternatives” (Peterson 2009:1). This chapter argues that the Dubai Government uses an eclectic and pragmatic approach to its socio-economic transformation which employs three development paradigms whose propositions have been clearly laid out in chapter six. In understanding Dubai’s development trajectory as the “*Arabian Falcon*” and the apparatuses of the state that legitimize it, this thesis re-positions the state, not only as reflecting the embodiment of any single development paradigm, but instead the hybridization of three paradigms. This RDC Model, as referred to in the previous chapter, does not place the needs of “*big capital*” over the needs and aspirations of the Emirati population.

The rapid transformation of the UAE has been debated around the world in a number of forums as a successful, home grown, Arab developmentalist state-led, capitalist model that is able to be replicated. The transformational model of the UAE has made its way into annals of development discourse as a possible new development paradigm by economists, planners and politicians in the developing world. Similarly, stylistically and methodologically, the “Dubai Inc” Model (see Appendix II) has been questioned by many academics and public policy designers, but nonetheless admired. Especially in an era in which Escobar, in his book “*Encountering Development: The Making and Unmaking of the Third World*” bemoans that the “discursive formation of development, and the subsequent succession of

various development strategies and approaches up to the present, are always made within the same discursive space” (Escobar, 1995:42).

This chapter attempts to “anthropologize” Dubai’s social and economic strategies over the ten year period that may be characterized as one in which the most intensive development planning took place in its modern era. It consists of the following sections: Section 7.1 Dubai Development Policies, 7.2 Development Strategies in Dubai, 7.3 Social Development and Welfare, 7.4 Macro-Economic Strategies, Sections 7.5, and 7.6 address the Shift from Macro-Economic to Micro-Economic Management and 7.7 concludes the chapter.

## **7.2. Dubai’s development policies**

A development policy is part of the broader terrain of what is often referred to as “the policy sciences”, which in turn are dominated by a focus on public or governmental policy (Haines 2004:4). Within the parameters of this definition, macro-development policies were agglomerated to achieve social and economic development as postulated by the “Truman Doctrine” in the post World War II era. Social as well as “economic policy and practice have varied widely” (Leftwich1995:401) across countries and are influenced by multiple political and economic factors: such as the strength of the state, type of political regime, socio-political history and the economic development paradigm that dominates the political and academic sphere at a particular point in time. In essence, there is no single factor that can be used to explain the deluge of development policies experimented with by various countries; nonetheless it is imperative to note that:

...the principal goal of any development policy is to create sustainable improvements in the quality of life for all people - while raising per capita incomes and consumption is part of that goal, other objectives include: reducing poverty, expanding access to health care and increasing educational levels (World Development Report 1999/2000: 13).

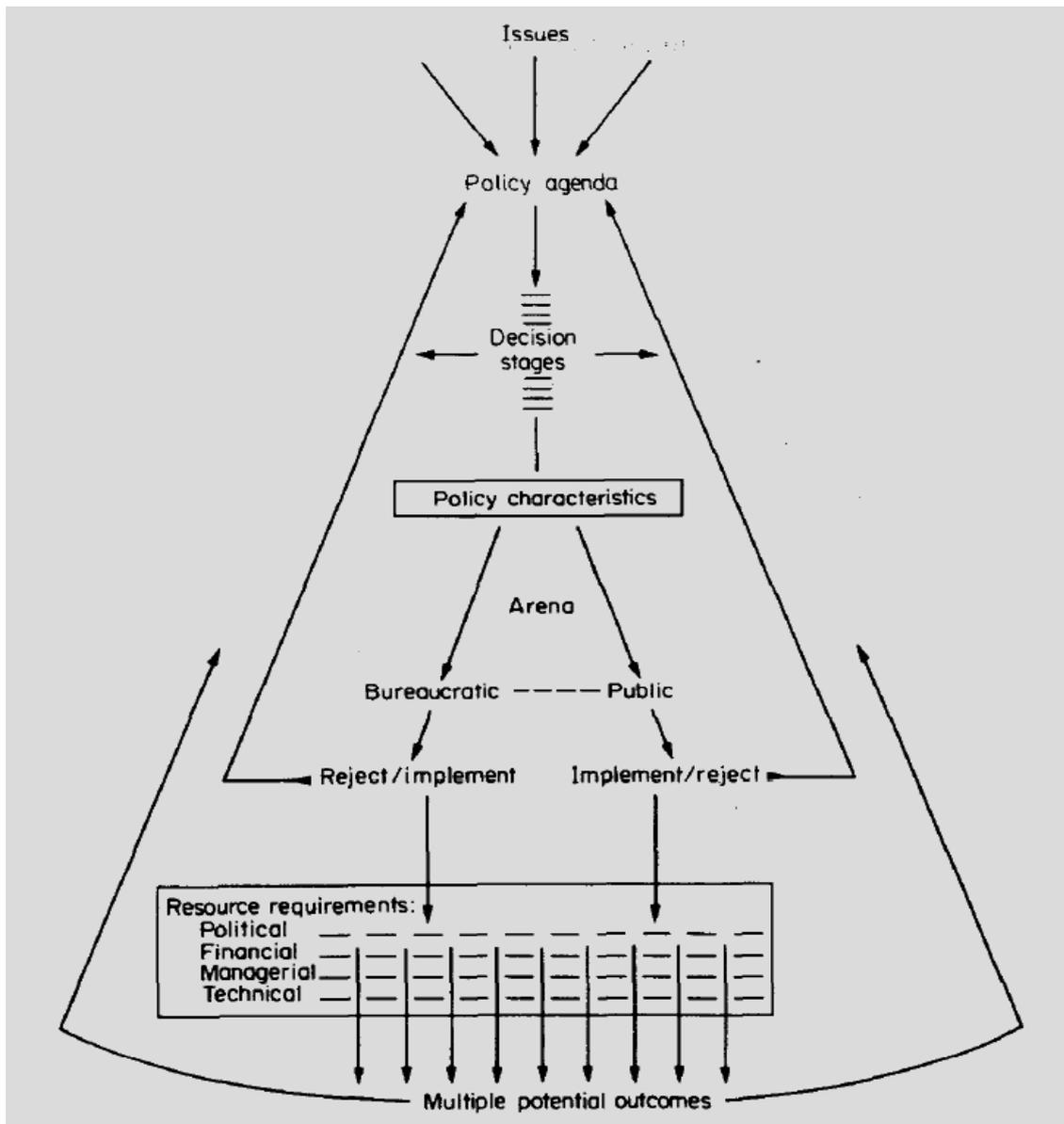
The Dubai Model "...is reminiscent of the 'Big Push' type models articulated by development economists in the 1970s and '80s as the solution to the problem of underdevelopment and chronic stagnation. In these models, the focus is on circumstances that would bring a leading firm (or firms) to invest together to grow the domestic market and engender wide-scale industrialization" (Chorin 2010: 17). In doing so the government's public policy management system must ensure there is risk mitigation mechanism that prevents wholesale socio-economic dislocation of the poor and most vulnerable in the society, as the state attempts to achieve its macro and meso objectives. The quote below is discussed in greater detail later in the chapter.

....As to development policy, the UAE has opted for a free-exchange-rate system and liberal trade with an outward-oriented strategy. The main objective is to build a diversified economy and create domestic productive capacity. Both federal and local governments have started to encourage private participation, first by building a modern infrastructure base, and then by trying to start a joint stock company with the private sector. The local government also recognizes the importance of the free zone in encouraging foreign and local investment (Al Shamsi 1999:4 in Al Shamsi *et al.* 1999).

Integrated development planning dictates that "...the UAE's general economic policies are based on the principles of achieving the citizens' welfare through the optimum use of available economic and financial resources" (Omaira 2001:11). This statement is not merely a citation of the country's policy position; rather, it is an assertion that lacks an intelligible analysis of the deeper rationale behind the design of those policies. It is important to note that development policy design in the UAE and Dubai in particular is highly unilateral and lacks broader stakeholder involvement, such as the general public who are supposed to be beneficiaries of those policies. Overall, Dubai is similar to other GCC states in which the development policies architecture has been underpinned by what the OECD (2012:14) regarded "...as a history of state intervention that has shaped the

structure and objectives of state ownership in regional economies.” The logical explanation is that the typical Arab state, a monolithic power within a patrimonial culture, sees itself as the custodian of national development.

**Figure 7.1: An interactive model of policy implementation**



**Source: Grindle & Thomas (1991:127 cited in Slunge 2011:5)**

The Figure above provides a schematic display of the various phases and/or stages that underpin the identification of development related issues and the array of actors that constitute the process. Fundamentally, this concerns either policy issues, and or policy outcomes that make up the facets Grindle and Thomas’ model as summarized below:

...human beings are at the core of the UAE development efforts. In any country, the human being is the main focus. The human being is the core of our thinking and interest. Everything starts with the human being and ends with human beings. The aim is to provide comfort for the Emirati citizen and boost the federation which will make us strong” (Sheikh Mohammed Ruler of Dubai as quoted in the *Daily Gulf News* February 7, 2007).

Development policies are regarded in development circles as precursors to development strategies. In summary, the development policies of Dubai encapsulate a unique hybrid model presented as the RDC theoretical framework discussed in the previous chapter.

### **7.3. Development strategies in Dubai**

The social and economic development matrix of each nation state is born out of a combination of micro and macro variables; or a combination of quantitative and qualitative indicators, such as GDP per capita, human development index and the poverty index: “...consequently, strategies chosen by individual nation states (including the city state of Dubai) seek to prepare them for a viable future are reflected by their realities” (Peterson 2009:4), be these realities under-development, developing, or developed.

The UAE’s socio-economic development planning has not led to uniformity and an adherence to one rigid strategy, but instead embraced a number of sub-strategies by each emirate that have complemented and reinforced the UAE’s overall development (Davidson 2005:162). The national project that created a collective indigenous state for the former, autonomously governed “Trucial states”, has deliberately by design ensure that each emirate maintains some sovereignty over its destiny. In this regard, Mkandawire (2011:1) makes a significant statement that “...development is thus not an externally imposed ‘discourse’, but is a response to the many challenges that the region has faced over the years and still faces today.”

Dubai's development strategies have undoubtedly been influenced by a combination of factors, including its: commercial and mercantilist history, regional geo-economics and politics, personal visions of its supreme leader, and the need to be judged kindly by history. At the federal level, national development strategies have contributed to the shaping and the influencing of the city's development programmes and strategies. In spite of the fact that Dubai has jurisdiction over its own development policies and strategies, the national development trajectory and agenda automatically causes a sub-fusion of the individual emirate's socio-economic development strategies into the over-arching development posture of the super-state.

Strategically, there is an attempt at the micro (Emirate) level to prevent the "fallacy of composition" that may occur at the macro (national level) between Dubai's development path and the other economies that make up the federal project. The hybrid model for the Emirate of Dubai discussed in the previous chapter is captured in Table 7.1 below. In the said table, an attempt is made to depict the city's overall development framework that is been used to facilitate, shape and deliver the desired targeted transformative outcomes of development.

**Table 7.1: Dubai's integrated development framework**

<b>Economic Growth</b>	<ul style="list-style-type: none"><li>• Tax- free policies</li><li>• Cluster development</li><li>• State led development</li><li>• Pro-business environment for FDIs</li><li>• Economic diversification</li></ul>
<b>Social Development</b>	<ul style="list-style-type: none"><li>• Free health care and education</li><li>• Marriage fund</li><li>• Free land</li><li>• Subsidies on petrol, water, and electricity for UAE citizens</li></ul>
<b>Institutional Infrastructure</b>	<ul style="list-style-type: none"><li>• Government Related Entities</li><li>• Social organisations</li><li>• Government departments</li><li>• State corporations</li></ul>

**Source: Author's Compilation (2012)**

The political economy of Dubai's development plans is implicitly an off-shoot of a combined typology of development paradigms for which this thesis has argued in chapter six, as the RDC hybrid model. As a platform or catalyst for socio-economic development, policymakers, after extensive consultations with key private sector actors, have engineered the city-state's integrated development plans known as the Dubai Strategic Plans (DSPs). Those of 1996, 2010, and 2015 represent the creation of a comprehensive, integrated and holistic roadmap for the social and economic progress of the Emirate; through the establishment of a platform framework that aligns all policies and plans with the involvement of sections of the private sector in their implementation. As indicated, the fundamental imperatives of the DSPs are influenced by the city state's "catch-up" development agenda and developmentalist tendencies. Policy making and implementation in Dubai are driven by a small anointed group of close confidants to the Ruler of Dubai, who is autonomously embedded, outside the dictates and scrutiny of civic movements in the city.

Given the complexity and ambiguity of the policy making process (Nutley & Webb 2004:14), as depicted above in section 7.2, Dubai's Strategic Plans taxonomically can be described as being "*evidence based policy-making*, that essentially uses statistics and other sources of information to highlight issues, inform programme design, policy choice, forecast the future, monitor policy implementation and evaluate policy impact" (UNDP 2007:1-2).

### **7.3.1. Dubai strategic plan (DSP): 1996**

This particular plan represented Dubai's first integrated development plan, as previously there were urban development plans, carried out by the Dubai Municipality. The primary objective of the 1996–2010 DSPs was to attain a developed economy status by the latter date (Pacione 2005:257). "This goal [was] being pursued within a context of planned economic growth, by means of several strategies including modernisation of production in low value added sectors; investment promotion and attraction of well established firms in modern high value industries; and diversification, with increased development of tertiary sector activities" (Ibid:257).

As with other comparative plans around the world, this particular strategic plan "...emphasized five key sectors: Trade, Transport, Tourism, Higher Level Services and Manufacturing, with new developments which were clustered around the key sectors as part of the DSP initiated by the Dubai government" (Helmond & Bas 2007:2).

These authors add,

the five key sectors from the DSP 1996 are each developed into different projects. The strength of the clustering is that there is a relation between different developments in different clusters. By doing this, different project developments are beneficial to more than one key sector of the DSP. This will stimulate Dubai's economic growth (Ibid: 3).

In November 1996 the sheikhdom of Dubai, according to Chand (1996) writing in the daily *Gulf News*, decided to “chart a dynamic growth path.” The emirate’s first strategic development master plan *Into the 21st Century*, aimed:

(...) to impart new dynamism into the economy, raise living standards and increase regional cooperation through economic high growth, improvements in productivity, increased investment in human resources, encourage investment and labour market stability, improve productivity, maintain a high non-oil GDP growth and diversify the economic base of the economy (Chand 1996; Owais 1996).

The Dubai DSP of 1996-2000 identified human resource development as one feature of the supporting framework that was necessary to achieve the plan's objectives. The plan recognized the need to further expand and upgrade the educational network and training services in the emirate (Wilkins 2000: 5).

#### **7.3.1.1. Targets of DSP (1996-2000)**

Some of the quantitative and measurable targets are outlined below as included in the strategic plan.

- (i) (Between 1997 and 2000 a 5 % increase in annual Gross Domestic Product (GDP).
- (ii) DSP of 1996 targeted to achieve a 7 % annual growth in the non-oil and industry sectors.
- (iii) By the year 2000, the non-oil sector of the GDP was targeted to reach 88.7 %.
- (iv) An annual population growth of 3 % and simultaneously increase the number of nationals (Emiratis) in work force to 10 percent.

- (v) The plan's target was a labour force increase of 3.5 % per annum.
- (vi) Per capita income was targeted to reach US\$19,650 by the year 2010.

It was envisioned that by the year 2000, Dubai would have “caught up” with the developed countries globally by using the principles of integrated development planning to attract the brightest minds for executive positions; the cheapest blue collar and unskilled workers and simultaneously to provide a secure safe for financial resources that needed to be safely “parked”, even if the returns on investments were negative.

### **7.3.2. Vision 2010: Shaping The Future (2000-2010)**

The Emirate of Dubai has made the attraction of foreign direct investment (FDI) a priority in its quest to grow, transform, modernize and develop its economy into a formidable regional and global economic epicentre. Such ambitions have been captured and fluently articulated in the city state's development plans including its “Vision 2010”. The architects of the development plan in the Dubai Executive Office in 2003 cited in Hvidt (2009: 406), point out that “‘*Vision 2010*’ explicitly states that increasing amounts of FDI are a prerequisite for further development...” of the previously pearl- and- oil- dependent economy.

The second integrated development plan was launched by His Highness, Sheikh Mohammed bin Rashid Al Maktoum, who at that stage was the Crown Prince of Dubai before his ascendancy as Vice President and Prime Minister of the UAE and Ruler of Dubai in 2005, subsequent to the reign of his brother Sheikh Rashid who had been the Ruler of Dubai and Vice President of the UAE. The development plan charts a:

“...Vision 2010, spelt out in 2000, envisaged the course he wanted Dubai to take over the forthcoming decade. Vision 2010 was very much orientated

towards developing the economy and all that is related to it to entice investment from abroad and encourage local industry to receive the benefits of the burgeoning financial infrastructure” (*Gulf News* May 23, 2009).

The master plan of “Vision 2010”, according to Randeree and Narwani (2009:448), identified “...three major sectors which were believed would play pivotal roles in the prosperity of the local economy in the future. The sectors include tourism, information technology, and media. In addition, to traditional industries such as trade and services, which have underpinned the emirate’s prosperity over the past few decades.”

#### **7.3.2.1. Aims of Vision 2010**

Its centrality and primacy hinge on the following overarching aims and objectives as articulated by the master plan and which include:

- (i) Vision 2010 was very much orientated towards developing the economy and all that is related to it to entice investment from abroad and encourage local industry to receive the benefits of the burgeoning financial infrastructure (*Gulf News* May 3, 2009).
- (ii) Having world class companies with core knowledge-based competences which will compete effectively, globally, as envisioned by Sulaiman (2003), one of the architects of the plan (cited in Randeree and Marawani (2009: 448).
- (iii) To catapult Dubai’s development into a 21<sup>st</sup> century knowledge based economy and to bypass the industrialization process followed by OECD members (Khoury 2008).

### **7.3.2.2. Key economic targets**

Development plans may be indigenously developed or influenced and/or imposed by the conditionalities of Structural Adjustment Programmes (SAPS) or Structural Adjustment Lending (SALs). The DSP contain certain quantifiable targets as listed below:

- (i) The target for foreign direct investment (FDI) as a percentage of GDP was set at 4 % for the year 2010 ([www.uaeinteract.com](http://www.uaeinteract.com)).
- (ii) The development plan "...projected that revenue from oil exports would decrease to less than 5% of Dubai's GDP by the year 2010" (DTMFZPD, 2002).
- (iii) Vision 2010 originally pegged the contribution of the non-oil sector to Dubai's GDP at 70%, particularly from the service sector with the anticipated further development of industries such as tourism and healthcare ([www.uaeinteract.com](http://www.uaeinteract.com)).
- (iv) 25% of GDP would be generated directly from knowledge-based industries (DTMFZPD, 2002).
- (v) The per capita share of GDP was targeted to cross the US\$23,000 (Dh84, 410) mark in 2010 ([www.uaeinteract.com](http://www.uaeinteract.com)).
- (vi) The gross domestic product (GDP) target for 2010 was set at US\$30 billion (Dh110bn) in 2000 ([www.uaeinteract.com](http://www.uaeinteract.com)).

### **7.3.3. Dubai Strategic Plan (2015)**

Unlike many developing countries, Dubai does not experience the severe problem of disjointed socio-economic planning caused by changes in governments and senior civil servants who are politically appointed or aligned; thus it has been able to ensure that the city's developmental agenda

and trajectory has not been interrupted by internal political factors. In this environment, Dubai's third development plan was conceived.

The Dubai Strategic Plan (2015) was launched in 2007 by His Highness Sheikh Mohammed Bin Rashid Al Maktoum. The Executive Council, under his instructions, developed the Dubai Strategic Plan (DSP) 2015 in 2007. The architecture of the developmental plan was formulated around five pillars or dimensions:

(i) **Economic Development:**

- Adopting of free market economic principles
- Innovation in launching initiatives
- Speed and accuracy in project execution
- Unique relationship and partnership with the private sector

(ii) **Social Development**

- Protection of the national identity, culture and the way of life
- Promoting social justice and equality
- Openness to the world while maintaining uniqueness

(iii) **Security, Justice and Safety**

- Ensuring justice and equality for all
- Maintaining security and stability
- Protecting human rights

(iv) **Infrastructure, Land and Environment**

- Provision of world class infrastructure designed to suit the requirements of all users
- Preserving the environment with international standards

(v) **Public Sector Excellence**

- Transparency
- Sound financial performance and effectiveness

- Development of human resources
- Working effectively within the Federal framework
- Accountability and the development of a result based culture (DSP 2015:12.13).

The DSP (2015), unlike the two previous strategic plans, contains a social development policy component that complements similar national policies at the federal level. In addition, “...economic development and diversification are cornerstones of the Dubai Strategic Plan 2015, a policy document that builds on the emirate’s past successes and charts the course forward for this city, which is already the center of business, trade, tourism and finance in the region” (Amaskati 2011). The advent of the GFC in 2008/2009 would have obliged the Government of Dubai to revisit the DSP 2015 and required fundamental changes to its economic targets.

#### **7.3.3.1. Targets of DSP (2007-2015)**

A key component of the strategic plan is its economic development goal, with three main aims: economic growth, enhanced worker productivity and sector development as well as diversification. Clear performance indicators have been set in all three, including 11% annual growth in real GDP, increasing per capita income to \$44,000, increasing worker productivity by 4% a year and raising the share of high-skilled jobs in the economy from 20% to 25%, to be achieved between the present time and 2015 (Sheikh Mohammed 2007).

Achieving the GDP growth target will double Dubai’s GDP to \$108 billion in 2015 from \$54 billion in 2007, while nearly doubling the current workforce to 1.73 million. To achieve this, the plan focuses on six sectors: travel and tourism, financial services, professional services, transport and logistics services, trade and storage and construction (Sheikh Mohammed 2007). Given the historical, patriarchal and rentier nature of the society, Dubai’s social policy ideology has created an untenable dependence on the state.

## **7.4. Social Development and Welfare**

### **7.4.1. Social welfare:**

The multi-dimensional nature of development articulates the notion that the process must be transformational, both socially and economically. In the UAE and Dubai in particular, “...the government has made social growth or social welfare one of its major priorities” (Davidson 2005:139).

... Recognizing that even in a prosperous country such as the UAE, there will always be vulnerable members of society who need assistance, the Government has instituted a comprehensive social welfare system operated by the Ministry of Labour and Social Affairs. The Ministry also makes specific allocations to women’s organizations to ensure that all those in need, particularly women in rural areas, have access both an economic safety-net and to assistance in adapting to a fast changing world (UAE Yearbook 2000/1:218).

The development philosophy of the UAE Government has been described as follows:

...since the formation of the federation until today the United Arab Emirates (UAE) including Dubai has taken every step to ensure all needs of Emiratis are met so that they could have a high standard of living. As such, the UAE introduced the social security system with the establishment of the Federal Law No 13, of 1972; and an expansion of the same in accordance with the Social Security Law which came into effect in 1977 (Salem 2009).

In July 1999, the Federal National Council approved new legislation regulating social security benefits. Under the law, people entitled to monthly social benefits include national widows and divorced women, the disabled and handicapped, the aged, orphans, single daughters and married students (Ibid:218). The Government of UAE regards “...social services provisions as a part of social development” (UAE Yearbook 2009:221). Social services represent a key pillar that undergirds the effort of the state to

enhance prosperity and improvement in the quality of life for each national of the UAE.

Consider, for example, the following: Pursuant to the promulgation of Federal Law No 2 of 2001, “....monthly assistance was provided to the following categories of UAE nationals residing within the UAE: Widows, Divorcees, Married Students, children from unknown parents, abandoned women” (UAE Yearbooks 2007, 2008, 2009). The DSP 2015 launched in 2007 further entrenches social development as a development strategy of Dubai by including “seven core development areas as a means of meeting Dubai’s rapidly changing socio-economic environment” (DSP 2015:27). According to DSP 2015, the areas include the following:

- (i) improved quality of healthcare services and the health status of the population,
- (ii) increased national participation in workforce and society,
- (iii) ensuring that nationals have access to quality educational opportunities,
- (iv) enriched cultural environment,
- (v) preserving national identity and improve community cohesion,
- (vii) ensuring quality social services are provided to meet the needs of the community,
- (viii) ensuring equality and acceptable working conditions for Dubai’s workforce in order to attract and retain the required expertise

Personal observation of the city state combined with formal and informal interviews has made it possible for the researcher to readily deduce that a

benevolent state, coupled with neo-patriarchal rulers, is the prevailing order of the day. The magnitude of state benevolence is discussed in chapter nine.

#### **7.4.2. Education as a development tool**

It is frequently argued by social commentators and educators that “... education is one of the pillars of societal development, preserving the cultural, historical and ideological heritage of a country. Education also focuses the public’s attention on local, regional and international issues, and is the predominant reason for most states being keen to promote education in order to keep pace with modern-day requirements” (ECSSR 2010). In this context, the GCC has endeavoured to develop education as a key role in its strategies for human and economic development and to address the imbalance in the GCC’s labour market in line with the requirements of indigenous employment and citizens’ expectations (Ibid: 2010).

In this respect,

....the state [UAE] educational policy as an instrument has included a number of basic conceptual directives, which consider education as a key factor in development, as well as in achieving stability and national security. The document also emphasizes the role of education in developing people's capabilities to keep abreast with regional and international changes, increasing the suitability of education to national and societal needs- especially in linking the educational output with the economic, social and cultural development needs, promoting cultural belonging and asserting the cultural identity of the educated (MOF & UNDP Abu Dhabi 2007).

The former president and founding father of the UAE, the late Sheikh Zayed Bin Al-Nahyan, was quoted in 2010 by the Minister of Higher Education in the UAE, High Highness Sheikh Hamdan Bin Mubarak Al Nahayan saying that “.... the best investment is in the people and the best reward you have from investment is in education” (UAE Yearbook 2010:196).

At the local or emirate level, the DSPs of 1996, 2010 and 2015 have supported the UAE's federal policy of universal access of education to all its citizens and residents. Brown (2007) of Bloomberg noted that the UAE federal government "provided over 800,000 of its citizens with free education." In the UAE, "...public schools are free for nationals but can be attended by expatriate Arab residents for a low fee. Tertiary education is also free for nationals, many of whom choose to attend universities in the United States, Europe, Australia and elsewhere." (Interview 17, 2012; UAE Yearbooks 2003; 2004).

The polity of Dubai's development in education has been regarded as a key socio-economic building block, one that allows the country's youth to contribute in a better way to the national economy (Khoury 1980 cited in Davidson 2005:139). No wonder Khoury (1980:75) commented that "...the UAE does not consider education as a mere public service to be provided to its citizens but as a productive investment that yields a return in the future."

As a development strategy, free education is provided by the rentier nature of the state, in order to thrust the Dubai and UAE in general into modernity, equality, social empowerment and to build a competitive and sustainable 21<sup>st</sup> century Arab economy. "UAE (including Dubai) citizens can attend federal universities free of charge and generous scholarship funds exist through the Ministry of Higher Education and Scientific Research and other organizations (both private and governmental) to allow UAE citizens to pursue higher education at universities abroad" (UAE Yearbook 2010:205). For example, "...in 2008, the Ministry of Higher Education and Scientific Research awarded 550 scholarships to students wishing to pursue their education overseas" (Ibid: 2005). Essentially, education or the development of human capital is viewed by the Dubai Government and also at the federal level to be one of the drivers and shapers of national sustainable development.

### **7.4.3. Housing policy**

The creation of a rentier-state infrastructure or architecture in UAE and Dubai in particular extends to the formulation of a public housing policy which ensures that all Emirati do not lack suitable shelter. Al Kitbi (2011) notes that,

“...housing in the UAE occupies a central position in the country's social and economic policies and in the leaders' understanding of their social mission. This is because shelter, just like food and clothing, is considered a basic human right sanctified by local and international covenants. In addition, planning a rational housing policy helps in cementing good social relations within and between communities and in raising expectations and standards of living. Ultimately, a good housing policy assures political stability and a secured social order.”

In Dubai, “for social and political reasons, the emphasis has been on expanding social services particularly in housing” (Peterson 2009:12). The “housing policy in the UAE has three different forms. The first is that of providing assistance in the form of loans or grants to nationals who own land and wish to build a private home” (Al Kitbi 2011). The second form advances interest-free, long-term loans for nationals who can repay them and the third provides free housing for low-income nationals (Ibid).

### **7.4.4. Subsidized petrol, water, electricity and food**

The politics of patronage in GCC is disguised as a development strategy and extends to the subsidization of the petrol price in Dubai by government oil companies (Emarat, EPPCO and Emirates Petroleum). Similarly, water and electricity supplied by the Dubai Electricity and Water Authority (DEWA) is heavily subsidized for the citizens of the city-state, but not for the expatriate community in the Emirate. The prices of some food items are controlled by the Dubai Economic Department and subsidies are extended to Emiratis at

the only retail cooperative in the city, known as Union Cooperative. Petrol and pharmaceutical items are two of the areas of the national economy where both citizens and residents equally enjoy the benefits and subsidies provided by the Dubai Government.

#### **7.4.5. Healthcare policy**

Similarly, improved healthcare and a comprehensive welfare system have been seen as the necessary foundations for the creation of a healthy and happy society in which every individual can vigorously contribute to the UAE's future development (Davidson 2005: 139). External rent from overseas investment and from the inanimate resource beneath the soil is used, both as an instrument to legitimize the leadership and secondly also to act as a national development strategy. Quintessentially, the "rentier status, revolving around a social contract between rulers and the ruled, has been augmented by..." (al Suwaidi 2011:45) the provision of social service or healthcare as a public good. According to the Dubai Strategic Plan (2015:26) "...the public healthcare system provides primary and secondary care to both nationals and non-national (expatriates). The Emirati citizens are provided with free healthcare, whilst expatriates are charged competitive user fees to access similar quality services in the public healthcare system...", in comparison to what is charged by private sector health care providers.

There are 26 public hospitals in the UAE with a capacity of almost 4,000 beds, over 2,000 doctors in all specializations, and over 1,000 public and private clinics. Free health coverage is universal for nationals and laws have been instituted to ensure mandatory health insurance for non-nationals (Ministry of Health Report 2008 cited in al Suwaidi 2011:51). Table 7.1 depicts the number of public and private hospitals in Dubai alone (including Federal hospitals).

**Table 7.2: Health Facilities in the Emirate of Dubai**

	Name of the hospital	Category	Number of Beds
	Dubai Hospital	Dubai Government	522
	Rashid Hospital	Dubai Government	652
	Hatta Hospital	Dubai Government	N/A
	Al Wasl Hospital	Dubai Government	327
	Al Makthoum Hospital	Dubai Government	Planning stage
	Al Baraha Hospital	Federal Government	147
	Al Amal Hospital	Federal Government	80
	Clinics	Private/Governmenr	Not Applicable
	Miscellaneous	Private	1218

**Source: Field work and Interview (15, 2012).**

All of these health facilities across the city are highly regulated by the Dubai Health Authority (DHA) and all meet international standards.

#### **7.4.6. Job creation approach**

Rentier states at this time, from the 1950s to the mid-1980s, employed much of the population, paid well and almost completely avoided taxation (Gray 2011: 8). From personal observation of the United Arab Emirates labour market trends and dynamics for Emirati citizens, it is evident that “traditional rentier theory, which holds that state oil rents contribute to raising unearned household incomes and so reduce incentives among young graduates to seek productive employment” (al Khouri 2011), is applicable in Dubai. It is the fervent belief of Abdulla (1999:55) that:

“... a major outlet for dispersing oil revenues is government. Citizens regard recruitment in the state apparatus as a legitimate aspiration. Assuming a social obligation to ensure the employment of their citizens, governments find the easiest route to create large bureaucracies to fulfil such aspirations.”

In accord with Abdulla's view, it is the researcher's direct observation in the UAE and Dubai in particular that the Government of Dubai uses the employment of its citizens as a development policy that demographically constitutes somewhat less than 20% of Dubai's 2 million population. Attendant to being a government policy, guaranteed employment in the public sector and or with Government Related Entities (GREs) is one of many instruments of economically protecting the indigenous population, because the percentage of this population is constantly declining.

## **7.5. Macro Economic Strategies**

### **7.5.1. Economic diversification**

According to Buamim (2008), "...as Dubai diversified its economy and lessened its reliance on its dwindling reserves of oil, new sectors have sprung up, helping to grow the emirate's economy. These include real estate, construction, tourism, finance, banking, media, sales and marketing, IT and health care." Fundamentally, the "...service sectors have become the mainstay of the Dubai economic model" (Pradham 2009:11).

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As pointed out in the Dubai Vision 2010 strategic plan announced in 2000, "...Dubai would have run out of oil by 2010 and thus embarked on a comprehensive process of economic diversification." Arnold (2012) quoting Jean-Michel Saliba, a Middle East and North Africa (MENA) economist, put Dubai's economic diversification into historical perspective when he noted that "Dubai started its diversification process in the 1980s."

Furthermore,

... Dubai has been investing money into: trade, tourism, logistics, aviation, infrastructure and banking and finance, in order to diminish its reliance on oil and petrochemical sectors. By virtue of this economic risk minimization effort, Dubai has become the epitome model of diversification in the Gulf Cooperation Council (Calderwood 2007; Pradhan 2009:11; www.emirates247.com).

The primacy of Dubai's economic diversification initiatives is two-fold, based on points raised above: the first is to develop a post-oil economy that is sustainable and the second is to use diversification as a means of wealth creation for socio-economic development purposes.

The Emirate of Dubai has transformed itself during the last thirty five years or so into a major international service economy building a significant capacity for imports, logistics, maritime and air transport facilities, as well as establishing itself as a regional centre for finance, real estate development, shopping, tourism, exports and re-exports. Indeed, the remarkable growth of the Emirate's economy, whose GDP per capita has multiplied by more than tenfold between 1975 and 2008, is testimony to this transformation. However, in the emerging landscape of the post-global economic crisis, Dubai has been challenged by competition from other countries, weaker regional and global demand, and more stringent global financial markets (DEC 2011: i).

### **7.5.2. State led capitalism**

The canonical literature on the role of the state in free market capitalism points to a disentanglement or disengagement of the state from any form of economic participation in the economy (Table 6.0 refers), highlighting the traditional role of the state); since "state and capitalism" are diametrically opposed to each other, it is paradoxical that both words may be twined together. According to Kurlantzick (2012), it has long been the view of neo-liberalists that state intervention in economic affairs runs contra the

established wisdom that the market is for promoting ideas. In light of the above, the fundamental question being posed may be stated as: “What is regarded as *State Capitalism*?”

Using practical illustrations, Richter (2011) and Maurer (2010) have noted that “...the Gulf states are premier practitioners of state capitalism” and that the Emirate of Dubai is the epitome of this. In reality, the concept is more than just another academic catch phrase coined to describe the new state’s “economic pragmatism” which “...has emerged as the new type of capitalism that is viewed as a challenger to the *laissez-faire* economics” (Kurlantzick 2012); it has become part of development DNA in the emerging and developing economies of petro and resource poor states.

(...) State capitalism is a system in which the state functions as the leading economic actor and uses markets primarily for political gain. This trend has stoked a new global competition, not between rival political ideologies but between competing economic models. State capitalism has four primary actors: national oil corporations, state-owned enterprises, privately owned national champions, and sovereign wealth funds (SWFs) (Bremmer 2009:2).

A less comprehensive but nonetheless useful definition has been provided by Maurer (2010), who stated that state capitalism is “...a system in which profit-maximizing state-owned companies operate in ostensibly competitive markets.”

The policy of state capitalism, which amounts to state intervention, has been used by the Dubai Government, as a “...new path to prosperity” (Wittchen 2011). The Government of Dubai has created a number of GREs that have allowed the state to adopt a corporatist approach to economic development (see Appendix III) that demonstrates the complicated ecosystem of state owned entities. It is important to note that Dubai’s corporatist approach endorses significant features of the neo-liberal paradigm or free market capitalism.

As pointed out,

“...the state’s investments run through three holding companies: Dubai Holding, Dubai World, and the Investment Corporation of Dubai (ICD). Sheikh Maktoum directly owns Dubai Holding, while the latter two are formally owned by the Government of Dubai ... of whom Sheikh Maktoum is the absolute ruler. All three holding companies have real estate arms charged with developing land granted to them by the emirate. ICD’s Emaar Properties developed the Burj Khalifa, while Nakheel created the offshore Palm and World developments on reclaimed land” (Maurer 2010).

State capitalism has been associated with developmental state theory as one of the ways of explaining the economic success of the Asian Tigers, Brazil, China and Ireland as well as late “*industrializers*”. This includes the UAE and Dubai in particular that, as noted, positions itself as a 21st century knowledge based economy (KBE). State capitalism in Dubai and elsewhere cannot and should not be viewed or analyzed within the annals of regional political economy and/or development discourse as a political ideology, but instead, as a development strategy in what Chachage (1987) termed “...the inherited states or the bourgeois colonial state.” As is customary with developmental states in theory and practice, the Government of Dubai and the UAE in general have embarked on a policy path to promote pro-business environment, which is discussed below.

### **7.5.3. Business friendly environment**

Neo-liberalism or free market capitalism tends to thrive in an environment that is regarded as business friendly or pro-business. The AGS including Dubai in their “...quest to ‘catch-up’ and achieve economic development during and subsequent to its humiliating encounter with the West” (Mkandawire 2011:1) has led the Government of Dubai to design policies that are attractive to small and large businesses alike to invest in the city-state.

(...) The secret of Dubai's success is that the city-state has succeeded in building a friendly business environment that fulfils the needs of investors, through the creation of distinguished facilities, such as complete income and company tax exemption, and through provision of a highly efficient technological structure, professional services and service facilities to cater to the needs of investors and their families (HH Sheikh Mohammad quoted in the *Daily Gulf Newspaper* November 10, 2009).

Pradham (2009:11) and Juma Al Majid, chairman of the Dubai Economic Council, indicate implicit support for the above statement when they are quoted by Bittar (2010:30) as stating that "...the enigma called the Dubai Inc – the Wall Street of the Gulf and one of the secrets of Dubai's success behind the city's growth is openness towards global markets where Asian, European and American commodities can enter Dubai without constraints." Similarly, the relaxed rules apply to Dubai's free trade zones that remove the barriers which usually discourage multi-nationals from setting up operations in a developing country and have transformed Dubai into a template of success (Al Fahim 2009).

The sociology of Dubai's business-friendly policies has demonstrated a symbiotic relationship between government and business/the private sector; against this background Gupta (2005) noted that "...governments cannot hope for development without businesses, and businesses needs governments to be successful." In support of this view, Sampler and Eigner (2008:138) emphatically state that "...the Dubai business community cannot live without government and government without the business community." The congeniality of Dubai's pro-business, liberal, macro-economic environment is reflected in the words of the Crown Prince of Dubai, Sheikh Hamdan, at the Global Agenda Summit in Dubai in 2009:

...The policies of Dubai are neither rigid nor complicated. They are transparent and flexible. They adapt to changes witnessed all over the world. The flexibility of those policies helped the emirate of Dubai become in a short

span of time a global hub for business, aviation and tourism (*Gulf News* 2009).

In summary, Dubai, either inadvertently, or by careful economic planning, has embedded the fundamentals and tenets of neo-liberalism within its internally orchestrated pro-business environment development strategies. An epistemological analysis of Dubai's macro-economic framework would reveal that the emirate's pro-business or capitalistic oriented policies have been deeply entrenched in its development planning since the 1900s and have helped to transform the tiny city state of Dubai into a prosperous sheikhdom and a safe haven for investors and proponents of free market capitalism. Fundamentally, Dubai uses "...public policy for the private sector" (World Bank 2002: ii) development, which by extension creates sustainable socio-economic activities. Dubai's pro-business policies, stable macro-economic framework, and functional state created institutions that are geared towards the attraction of foreign direct investments bear the hallmark of a developmental state.

#### **7.5.4. Developmentalism**

In undertaking the arduous task of governing a nation, governments are faced with the unenviable task of crafting appropriate policies, programmes and projects to meet the development needs of their people. Developmentalism is one such development strategy that governments have adopted globally. The concept

...has been used in different contexts to describe a developing state's commitment to an ideology of rapid economic development. The specific policies of developmentalism vary across time and space. For eg.[sic] East Asians' capitalist developmentalism of the 1960s, 1970's, and 1980s looked to export-oriented production with simultaneous protection of domestic markets and firms by a strong activist state (Gallagher 2007:7).

Murakami (1992 cited in Abe 2006:6) defines developmentalism as a political and economic system based on nationalism, which tends to limit parliamentary democracy. However, within the context of Dubai “...developmentalism is a national project of development, centred on social and economic modernization” (Nilsen 2011). As mentioned earlier, the socio-economic modernization of the emirate was initiated in 1833 when modern Dubai is said to have begun. Since then structural composition of the local economy has transitioned from one of subsistence-type agriculture, fishing and pearl trading, into one that is fully integrated into the global economic system. The economic structural change in the Dubai economy has been facilitated by a pro-active, cautiously neoliberal capitalistic “...state that assists in the birth and growth of domestic, national firms through its role as ‘midwife’ of new firms and sectors and by tending to the husbandry” of these growing industries (Evan 1985 cited by O’Riain 2000:163).

Following neither the Washington Consensus nor the Santiago Consensus, the Government of Dubai has embraced a more eclectic, statist model which is based on significant state intervention. Dubai’s “capitalist developmentalism” (Gallagher 2007:7) policies and approach have been well integrated and articulated in the development plans of DSP 1996 (1996-2000), Vision 2010 (2000-2010) and DSP 2015 (2007-2015). Through utilising these plans, the state has become the primary driver of socio-economic development initiatives where the emphasis is on rapid socio-economic transformation of the economy; clear growth trajectory; structurally reforming the economy from being an extractive primary producer to a service driven economy.

Dubai’s model is “...built on active and large foreign participation in the domestic economy” (Gallagher 2007:7), through the attraction of foreign direct investments (FDIs) and a large army of migrant or guest workers (skilled, semi-skilled and unskilled). In a seminal piece of scholarly work by Davidson (2005) he made an observation, not yet fully explored, about Dubai’s political economy: that the Government of Dubai had adopted

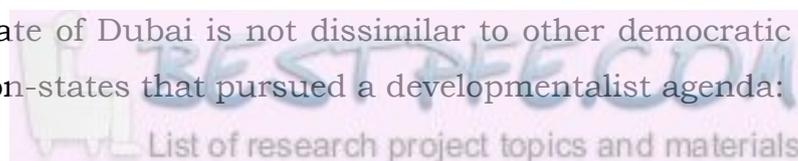
“...limited import substitution industrialization policies” similar to what “some Latin American countries did in 1950, to the 1970s” (Gallagher 2007:6-7). Dubai’s capitalist developmentalism falls within the remit of a developmental state’s *modus operandi* that engenders in Dubai a doctrine or philosophy of urgency, a pragmatic enunciation and a *can do* approach to national development. In addition, the Dubai state, “...assists in the birth and growth of its domestic enterprises, through its roles as ‘midwife’ of new businesses and sectors and by tending to the ‘husbandry’ of these growing industries (Evan 1985 cited by O’Riain 2000:163).

Developmentalism in Dubai goes far in answering the second research question. *Is there a strong correlation between the state involvement and development in Dubai?* As has been observed from the real estate and infrastructural development bubble in Dubai between 2004 and 2008, rentier-ism and state development is an expensive venture, requiring substantial capital and re-occurring expenditures. These issues are dealt with in the section below.

#### **7.5.5. Financing the developmental model**

The RDC state model that forms the theoretical framework of this thesis articulates the fact that “the role of the state went well beyond merely gathering information and upgrading infrastructure” (O’Rain, 2000:166). The Dubai Government, and its complicated web of commercially oriented GREs, “were the major providers of funding” (O’Rain 2000:166) of “*Dubai Incorporated or Dubai Inc*” until the advent of the global financial crisis in 2008 when the Government was obliged to temporarily discontinue its seemingly endless series of mega-projects.

State control of finance was the linchpin of the developmental state, followed by labour relations, and the autonomy of the economic bureaucracy (Ng 2008). The emirate of Dubai is not dissimilar to other democratic and non-democratic nation-states that pursued a developmentalist agenda:



(...) Finance is the tie that binds the state to the industrialist. The 16<sup>th</sup> Century French jurist Jearn Bodin called finance, the 'nerves' of the state. Johnson's essay on Economic Policies in Japan and South Korea and Taiwan argues that the state's control of finance was the most important, if not the defining aspect of the developmental state (Woo-Cummings 1999:10).

The continually growing, intricate eco-system of GREs in Dubai has used skilful pragmatism and the availability of financial resources on the international capital market coupled with the extraction of rent from the businesses, residents and profits generated from non-productive business activities to finance Dubai's transformation.

#### **7.5.6. Property led growth**

Development strategies have usually focused on rapid urban industrialization (Tordaro 2000:14), when countries and city-states around the world use urbanization as the linchpin to national development policies and plans, and Dubai is no exception to this. Subsequent to previous urban development plans dating back to the 1900s, "...in the early 1990s, the government commissioned the Dubai Urban Area Strategic Plan 1993–2012 to guide the economic and physical development of the city into the twenty-first century" (Pacione, 2005: 260). Amongst the "...key challenges that had to be addressed by the Dubai Urban Strategic Plan was the accommodation of urban expansion by allocating additional land in a phased planned process to meet current and future needs for residential, industrial and commercial uses" (Ibid:260). Figure 7.1, below, provides an aerial view of Dubai's rapid urban expansion which forms part of the city's socio-economic transformation.

**Figure 7.2: Spatial and urban development in downtown Dubai**



**Source: Aerial view of the Dubai Marina/Jumeirah Beach project construction (photo courtesy of Brent Boden)**

From the 1990s up to 2008 (and prior to the global financial crisis), Dubai adopted a property-led approach as part of its cartography of development strategies. This approach has been used by the Government to spatially create comparative and competitive advantages for semi-industrial, knowledge oriented and technological activities. The focus of the government's policy, especially during the decade leading up to 2008, was to place an emphasis on the development of urban residential and commercial properties. Property-led development was a deliberate and attractive model to the Government of Dubai as a means of promoting economic growth via the SOEs. The "Dubai Model" is underpinned by the mantra or concept of *"build it and they will come"* according to Dairabayeva (2009:1). There is credence for this notion, as empirical evidence would reveal if a meta-analysis of the plethora of new communities developed during the period of

time on which the research is based were to be undertaken (see Appendix VIII). The spatial transformation of the city was undertaken primarily by the ‘big four’ real estate developers (SOEs); Emaar, Dubai Properties, Damac and Nakheel.

Real estate investment is a key contributor to economic growth, household welfare and urban development. Construction is one of the sectors with the most impact on an economy, according to Hassler (2011:3). It may thus, be argued that the Government of Dubai fully understands the social and economic ramifications of having a viable construction sector, given the significance of the construction industry to spatial development and the national welfare of the society as a whole.

#### **7.5.7. Creating institutional structures**

The post-Britannia era of the newly formed UAE was characterized by underdevelopment of the desert kingdom of the emirates; coupled with a lack of economic, cultural, social and political institutions that would serve to form the pillars of a strong and stable society and by extension, the national economy. A senior economic advisor at the *Dubai Economic Council*, noted, “...that one of the major deficiencies of the Dubai economic journey was the lack of sufficient modern public sector institutions in the emirate in the 1970s to the 1990s to document Dubai’s socio-economic development trajectory” (Interview 18, 2012). This is contrary to the position espoused by Okwuchukwu (2011) when he stated “...that strong institutions are required for service delivery, government efficiency, strong policy and programme implementation.”

Development is no longer seen primarily as a process of capital accumulation, but rather as a process of organizational change (Hoff & Stiglitz 1998: 389). Social and economic “...transformation cannot take place in an institutional vacuum, as savers, investors, consumers, entrepreneurs, workers and risk-takers of all kinds need a framework of rules if rational,

optimizing decisions are to be made. They also need some guarantee of economic stability and certainty, which can be provided only by good governance and sound economic policy-making” (<http://www.palgrave.com/PDFs/9780230222298.pdf>). A close analysis of Dubai’s exponential transformation into an internationally renowned city indicates that this did not take place without the creation of needed institutional frameworks, the drivers of the city’s ambitious development plans of 1996, 2000 and 2015.

According to Nasra and Dacin (2009:584-585),

...Dubai’s current prosperity and attractiveness are the outcomes of key decisions that its rulers took during important historical events and junctures. The state not only exploits opportunities for entrepreneurial action but also acts as an institutional entrepreneur, by building the necessary institutional infrastructure to attract international entrepreneurs.

Quality institutions, as noted by North (1990), play “...a fundamental role for institutions in societies: they are the underlying determinants of the long-run performance of economies – Third World countries are poor because the institutional constraints define a set of pay-offs to political/economic activities that do not encourage productive activity.” Development, as described in chapter five, as an integrated holistic approach, invariably includes the need for a:

“...quest to build sustainable and strong institutions, as strong institutions are required for service delivery, government efficiency, strong policy and programme implementation. We also need to build capacity divorced from our individual, regional, religious and personal aggrandizement in order to encourage public and private sector sustenance. We cannot grow or achieve much if we depend on individual genius and personality cult and passion to run our public institutions” (Okwuchukwu 2011).

The global financial crisis of 2008/2009 has shown proponents of the Washington Consensus agenda that a “...government is the major stakeholder in the national economy and so any absence of its authority may jeopardize the people's interests” (El Mouloudi 2010). Similarly, the Dubai Government recognized that the successful implementation of Dubai’s Development Strategies, Programmes and Projects is contingent on the modernization and creation of a new 21<sup>st</sup> century type public sector. Thus, the notion of “*instrumental rationality*” where institutions are unnecessary would not be applicable in the growth of a new nation state that is bereft of social, political and economic institutions.

#### **7.6. Free-zones and cluster development:**

The GCC region and UAE are significantly dependent on oil and gas. However, Dubai is a small producer of natural resources, and expects to run out of oil in less than a decade. Consequently, Dubai’s government took actions to shift its economy away from oil to a modern economy dominated by trade, tourism, real estate, and finance (Zumbach 2010:39). The Dubai Government “...has embraced Michael Porter’s cluster model as an analytical concept and economic development tool” (Centonze 2010:251-252), as a clear and formidable component in its development strategy framework. The city-state has “invested heavily and successfully implemented cluster development that has been eminently proven by the likes of Silicon Valley” (Orchard 2005; Qadir 2005). Field work carried out by the researcher between the years 2009 and 2012, based on regular visits to a number of these clusters, provides proof of the above economic strategy and its success.

Dubai has concentrated on developing “...market clusters as a way of enhancing economic growth. It concentrates on developing industries where it can gain a competitive advantage. Other countries have adopted this strategy for many years and Silicon Valley in California is probably the most famous example” (Wilkins 2002:5). Regarding the cluster approach model,

via Dubai's 26 free-zones: the "...first model is based on attracting foreign investment and attempting to embed it in the local economy, and the second model which is a more recent model is based on the growth of indigenous businesses" (O'Rian 2000:160).

In terms of an academic definition, Porter (2000, cited in Centonze 2010:252) defines clusters as "geographical concentrations of interconnected companies, specialized suppliers, service providers, firms in related industries and associated institutions (e.g. universities, standards, agencies, trade associations) in a particular field that compete but also co-operate." As a socio-economic development strategy, cluster development in Dubai seeks to achieve a number of objectives, including:

- (i) diversification of the economy, away from its dwindling oil reserves
- (ii) creating employment for its citizens in the private sector which will ultimately reduce the public sector wage expenditures
- (iii) increasing regional and global competitiveness
- (iv) fostering and developing a sustainable non-oil hydro economy,
- (vi) developing a multi-faceted/sector economic hub in a region beset by socio-political uncertainty and turmoil
- (vii) attracting foreign direct investments
- (viii) the aim of expanding the economic landscape for the private sector players in the domestic economy.

As part of a broader spatial development strategic framework, the following free-zone clusters were formed across Dubai. At the time of writing, there are 26 free-zones in Dubai alone. Examples and details of some of the flagship clusters are described below:

## **7.6.1. Typology of clusters in Dubai**

### **7.6.1.1. Tourism cluster**

Tourism is a significant factor in the Dubai economy, both in terms of employment and of GDP, with many of the goods and services consumed by tourists also being used by the general population. Dubai has developed a strong tourism cluster that has been able to grow revenue (DEC 2009: 74). In addition to the many hotels owned by GREs, the Department of Tourism, and Commerce Marketing was established in 1997 as a precursor to the subsequent tourism related initiatives (such as Dubai Summer Surprises, Global Village, Dubai Shopping Festivals and a wide range of other events geared at attracting tourists to the city).

### **7.6.1.2. Dubai Silicon Oasis Authority**

The Dubai Silicon Oasis (DSO) is one of the many free-zones established in Dubai since the 1980s. It forms part of the wider socio-economic development strategy of Dubai aimed at facilitating the diversification process of the city-state's economy. "Established in 2004, the Dubai Silicon Oasis Authority (DSOA) is wholly owned by the Government of Dubai and is considered the only technology park in the region that provides both a living and working integrated community. Silicon Oasis is a Free Zone Authority and provides a full package of a free zone incentives and benefits to companies operating within the tech park" ([http://www.uaefreezones.com/fz\\_silicon\\_oasis.html](http://www.uaefreezones.com/fz_silicon_oasis.html)). Qadir (2005) points out that the

... DSO represents a high point of Dubai's transition towards a knowledge economy. Silicon Oasis hopes to give Dubai a role in intellectual property development in semiconductor technology in partnership with industry leader Intel. The project envisages an incubation facility for technology innovations on the Arab world's most ambitious plan to bridge the digital

divide. All this is in addition to projects like Internet City and Media City, whose growth as a cluster development has exceeded all initial expectations.

Dubai's Silicon Oasis (DSO) spans 7.2 square kilometres, enjoying one of the most developed infrastructures in the region. The Authority has injected a large capital investment into its infrastructure to cater to the need of high tech industries in the free-zone; this ranges from advanced telecommunications to a fiber optic network ([http://www.uaefreezones.com/fz\\_silicon\\_oasis.html](http://www.uaefreezones.com/fz_silicon_oasis.html)).

#### **7.6.1.3. Dubai Knowledge Village (DKV) - TECOM**

The PKY (2009) Report states that “the Dubai Knowledge Village was formed under Law No. 1 of 2000 of the Emirate of Dubai. DKV is set up to position the Dubai Technology and Media Free Zone as a center of excellence for learning and innovation. This new education and training hub is also set up to complement the Free Zone's other two clusters: Dubai Internet City as IT hub and Dubai Media City as Media.”

#### **7.6.1.4. Dubai Logistics City**

This forms part of the Dubai logistics cluster. The Dubai Economic Council's Report of 2009 states that:

“... Dubai has developed a dynamic logistics cluster that is playing a central role in the Europe-Asia-Africa trade while also serving as a regional trade hub and facilitating the increasing imports to the growing local market. The cluster's ability to connect world-class air and seaport capabilities has made Dubai a central location for trade flows that benefit from the mix of different transport modes” (DEC 2009: 54).

Dubai Logistics City (DLC) is the world's first truly integrated logistics platform, with all transport modes, logistics and value added services,

including light manufacturing and assembly, in a single customs bonded and Free Zone environment ([http://www.uaefreezones.com/fz\\_silicon\\_oasis.html](http://www.uaefreezones.com/fz_silicon_oasis.html)).

#### **7.6.1.5. Dubai Technology, E-commerce & Media Free Zone Authority**

In recognition of the huge commercial potential of the world wide web, the Dubai Technology, E-commerce, and Media Free Zone (TECOM) was incorporated in 2000 under the guidance of HH General Sheikh Mohammed bin Rashid Al Maktoum (Al Tammimi 2006:111). Within the TECOM Zone the Dubai Internet City (DIC) operates as the world's first free trade zone for e-commerce. Similarly, the Dubai Media City, Dubai Healthcare City (DHCC), Dubai, Knowledge Village, and International Media Production fall under the TECOM Authority (Al Tammimi 2006:111; [www.uaefreezone.com](http://www.uaefreezone.com)).

#### **7.6.1.6. Dubai International Financial Centre (DIFC)**

The DIFC is the world's newest international financial centre and represents Dubai's efforts to further develop and strengthen its ambitious financial cluster (Bhatti *et al.* 2006:5). "...It aims to develop the same stature as New York, London and Hong Kong, primarily serving the vast region between Western Europe and East Asia" ([www.uaefreezone.com](http://www.uaefreezone.com)).

Furthermore:

.... Pursuant to Federal Law No. 8, establishing the basis for Financial Free Zones throughout the United Arab Emirate in 2004, the Government of Dubai enacted Dubai Law No. 12 that established the Dubai International Financial Centre (DIFC) Judicial Authority and the DIFC Court System. The law guarantees the independent administration of justice in the DIFC (Augustine 2009).

The DIFC is playing a pivotal role bolstering the economic climate of the city, which is one of the central tenets that have been encapsulated in the DSP 2015.

“...The DIFC is a regional capital market and has been designated as a state-run, financial free-trade zone. Its mission is to be a globally-recognized financial centre and a catalyst for regional economic growth, development and diversification. The DIFC has positioned Dubai as an international investment hub in the global financial community between Tokyo, Hong Kong and Singapore in the Far East, and Frankfurt and London in Europe, to capitalize on its time zone advantage” (Bhatti *et al.* 2006:5).

As a development strategy the Dubai Government uses the DIFC in the context, to create a legal entity and jurisdiction subject to British common law within the boundaries of the emirate of Dubai and the nation-state of the United Arab Emirates, a “country within a country” (Strong & Hember 2009:38). The DIFC as a free-zone is multidimensional in its strategic intent and objectives. However, Strong and Hember (2009:38) observe that:

“... Dubai’s explicit creation of a sovereign enclave within a sovereign state sets the precedent for decision-makers (be they political leaders, key influencers or the electorates) in other nation-states to realize that prosperity can be achieved by means of the credible establishment of existing world-class legal systems within geographically-bounded free zones; it could precipitate an effective movement ameliorating global poverty.”

The strategic intent and pragmatic operations of the DIFC fit into the dual theoretical construct of the developmental and competition state paradigms. Firstly, because “in a developmental state, government leads a strong, concerted drive for economic growth, ensuring the mobilization of resources for economic growth (Levin 2008:7 cited in Mahada 2011:3) and secondly, the competition state paradigm as enunciated by Fougner is understood to be a state geared towards international competitiveness (2006:165). Thurow (1992, cited in Soederberg 2009: 88) noted that “...there is a shift from

comparative advantage based on natural resource endowments and factor proportions (i.e. capital labour ratios) to competitive advantage based on so-called ‘brain-power’ industries.”

### **7.7. Shift from macro-economic to micro-economic management**

Prudent public policy dictates that as the Dubai Government, and the Federal Government by extension, achieves its macro socio-economic objectives, it also focuses on micro-economic intervention policies via what is known as state capitalism, discussed above. Dubai is obliged, of necessity, to focus on micro economic policies and governance as a development strategy, given that it has ceded its fiscal and monetary policy planning authority to the Federal Government.

As with other competition states, the Government of Dubai is an activist state that has become a major investor in a number of local companies (chapter ten refers, with regard to state entrepreneurialism as a matter of public policy for developmental reasons). Essentially, this is one way of compensating for the small indigenous private sector at the local level and of simultaneously de-leveraging the power of transnational corporations in the economy. State capitalism, interventionism and activism extend to the Government of Dubai, initiating and being involved in a number of commercial initiatives and entities of such some examples include: Emirates Airlines, Dubai Disneyland, Palm Jabel Ail, the Palm Islands, and Emirates National Oil Company (ENOC).

Another, related pillar of micro-economic intervention (Soederberg 2009: 85) is the *nationalization* of the labour force; a social policy initiative aimed at weaning the society off “*welfarism*” to *workfare* (Ibid: 85). While this micro-intervention in the economy might not be warranted in other societies, in Dubai, however, the demographic profile and labour market dynamics necessitate state intervention to bring about equity and balance in the domestic labour market.

The string of development strategies outlined in this chapter so far is reflective of the development priorities of the society and by extension, the dictates of the global market place as is evidenced by the deepening process of economic globalization. The AGS, including the UAE, is regarded as a net exporter of capital and remittances due to the make-up of Dubai's (and the UAE's) labour market (chapter eight refers), and thus, in order to "...reverse capital flight, the government has undertaken a series of deregulation efforts (i.e. removing regulations that impede the entry of foreign firms or restrict competition) and property reform measures" (Soederberg 2009: 84). Examples of this are found in such matters as the aforementioned creation of special economic zones (SEZs) known as free-zones (see Appendix IV) and through "...Law No, 7 passed in 2005 by the ruler of Dubai which legalized freehold ownership of land and property for non-GCC expatriates" (Kumar 2012, May 10). Proponents of the Washington Consensus and neo-liberalists enjoyed a morale boosting moment when the Government of Dubai partially liberalized the real estate market.

## **7.8. Conclusion**

The socio-economic, cultural and political history of the Dubai state is important in understanding its functions and relationship with the citizenry of the emirate. In addition, since the formation of the UAE there has been a sub-fusion of the "*Dubai state*" into the super-state of the UAE; political, economic and policy implications accompany such subjugation, of limited sovereignty to an over-arching super-state. On the surface, Dubai, based on the rentier tendencies of the super-state described above, is often described as being a pure rentier state; however, the Government (through the monarchy) has always been a major player in the socio-economic development of Dubai.

However, unfortunately the emphasis has been on Arab autocratic governance, lack of human rights, the need for western style democratic

ideals, and regime change in some states; as opposed to contextualizing the development journey within development studies discourse.

The Government of Dubai used a typology of unique development strategies that transcend any single conventional development paradigm to attack the ills of underdevelopment that were prevalent during the era of the presence of Europeans and in the immediate period of their departure from the former Trucial states. The hybrid model described in chapter six and earlier in this chapter, aims to fundamentally prevent what McNamara (1980) cited by Keeton (1984:290) called the “self-perpetuating plight of the absolute poor that tended to cut them off from economic progress that has taken place other societies.”

Dubai has transformed itself into one of the world’s pre-eminent commercial hubs; its success is built on a number of foundations along with the crafting of an unprecedented developmental agenda in the Arab world by the Government of Dubai which was born out of necessity. According to a long time resident and businessman in Dubai, “...the government had to pursue an agenda that would inevitably make Dubai a force to be reckoned with in the region, given that the city is surrounded by hostile neighbours who have territorial expansionary ambitions” (Interview 1, 2009). The city will not be able to sustain the social and economic progress it has made between 1998 and 2008; unless it has been able to holistically develop its’ human capital. The next chapter delves into the need for human resources development in the UAE.

## **Chapter Eight: Emiratization and National Development**

*We shall be following the plan that aims at training nationals so as to raise them to a level of efficiency and capability that would qualify them to meet their responsibilities in fully running national wealth. (Sheikh Al-Nahyan).*

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### **8.1. Introduction**

The social and macro-economic development of the UAE and Dubai in particular cannot be divorced from the demographic make-up of its labour force. This is central to the development trajectory of the society; given that there is a serious shortage of the indigenous skilled, semi-skilled and unskilled labour supply needed to satisfy the growing need for manpower to run Dubai's mega-projects and expanding public sector. The architecture of national development policies and strategies is premised on the utilization of a large army of expatriate workers which forms a labour force from over 150 countries: ranging from domestic workers to Chief Executives Officers of MNCs, through to committee members involved in economic strategising in federal government.

Nationalizing the labour force of the UAE has its genealogical roots in the socio-economic realignment of all the economies of the GCC states and the UAE, including Dubai. Tectonic shifts of the demographics have occurred due to the frenetic pace at which petro-dollars were used to transform the once backward economies of the Arabian Gulf. These shifts have culminated in a demographic imbalance where expatriates far outnumber the local Emirati population. The impact of these dramatic shifts has attracted the label "minority state" to describe the UAE and other GCC countries.

The purpose of this chapter is to elucidate the literature which addresses the process of labour market nationalization or localization, properly known in this context as Emiratization (Tawtin), and also to answer the research question highlighted in Chapter one, Section 1.2.1: "...how did Dubai protect and empower its minority population in the process of national development?" In addition, this chapter addresses the rationale for

nationalization or Emiratisation of the UAE domestic labour market amongst other thematic issues.

The chapter is made up of nine sections: 8.1 Liberal labour market and the dependence on foreign labour; 8.2 What is Emiratisation and what are its aims?; 8.3 Emiratisation policy framework; 8.4 Institutional reform; 8.5 Emiratisation strategies; 8.6 Environmental drives of Emiratisation; 8.7 Expatriate workers' contribution to the UAE's development; 8.8 Constraints and challenges. Section 8.9 concludes with a summation of the issues raised and elucidated.

## **8.2. Liberal labour markets and their dependence on foreign labour**

GCC labour markets are unique in their dependence on expatriate labour (Forstenlechner 2009:135). Concurring with this statement, Mohamed (2002) cited in Al-Waqfi & Forstenlechner (2010: 364-365) writes the following:

“...The shortage of local labour, when rapid economic development started with the arrival of oil exploration around 40 years ago, has induced governments in the GCC region to adopt a liberal policy with regard to the influx of foreign workers into these countries. In order to facilitate the undertaking of major infrastructure projects and to support the growth and development of local businesses – despite the shortage in local labour – employers have been allowed to freely recruit foreign workers with limited government intervention. In the case of the United Arab Emirates, the current expatriate majority can be seen as a direct result of ambitious development plans to transform the country into a regional economic power.”

To support the country's socio-economic development strategies, “...the emirates' open economic policy has long encouraged multinational corporations and their laissez-faire employment practices. Thus, expatriates have a high profile in the UAE labour market; overwhelmingly so in the

private sector” (Al-Ali 2007:367). This liberal approach is similar to the practice of other states within the GCC and Singapore.

In essence, the socio-economic framework within which the labour market of the UAE, including Dubai, operates enjoys some theoretical similarities with the neo-liberal development paradigm of 1990s. It is necessary to note that the governments of the GCC states, including the UAE, arising out of their own need to survive economically, were obliged to pursue a liberal and open-door labour market policy. The uniqueness of the UAE’s labour market conundrum is captured by Birks and Sinclair (1980:72) who noted that “the UAE is perhaps the best example of a capital-rich state suffering from severely limited indigenous human resources.” To use other words, proponents of the neo-classical economics theory describe this situation as occurring when “...international migration is caused on a macro-level by geographical differences in the supply and demand of labour” (Massey *et al.* 1998: 434).

The UAE and Dubai in particular quintessentially represents a classic example of a capital-rich country that is from a shortage of indigenous human resources; thus the city has become highly dependent on a large contingent of expatriate labour for over four decades. It is therefore unsurprising that Ulrichsen (2011) cited in Forstenlechner and Rutledge (2012) commented that “...no other region in the world is so directly and continually reliant upon such high ratios of ‘temporary’ non-national labor. While we will contend that this relationship has, for the most part, been mutually beneficial, it is currently, perhaps more than ever before, also giving rise to an array of genuinely felt concerns.”

Coury and Lahouel (2010:3) as well as other sources (including the 2005 census), note that the UAE “...workforce originates predominantly from countries in East Asia and the Middle East and comprises mostly unskilled workers.” The over-reliance on expatriate labour is deeply embedded in the socio-economic and political colonial history of the former Trucial states that

became the UAE. Davidson (2005: 120) concurs: “...the economic structure of most Arab economies had become more externally oriented than that of any other group of countries in the developing world.” In examining this issue, a deeper analysis of the demographical profile of the labour market is carried out in Section 8.2.2.

The labour market of the GCC and the UAE in particular, may be characterized as being two tiered and bifurcated; with the expatriate workers and the economically active indigenous population comprising the labour market of the UAE. However, the two tiers are governed by seemingly different sets of regulations. Girgis (2002:28) emphasizes this point when he clarifies that...

....duality in the GCC and the UAE in particular takes different forms. To illustrate, a dual labor market is established when government policies insure that clear preferences are made for hiring nationals with limited quotas imposed on hiring/retaining expatriates. Generally in the GCC, a dual labor market situation emerged over time and reflected each nation's attempt to deal with labor scarcities and national priorities during a period of rapid growth.

Girgis' explanation describes the attempted nationalization of the UAE labour market. The desire to Emiratize the UAE labour force is supported by a Federal Labour Law of 1980 and subsequent amendments, all of which go to the core of a creating a two-tiered structure or duality in the labour market.

### **8.2.1. Evolving UAE labour policies**

Labour economics experts and literature have consistently mooted the view that economic transformation is partly dependent on labour market regulations and the quality of the institutions. Thus, at a federal level there has been a variety of initiatives prior to and subsequent to the formation of the UAE as a federal state in 1971. Below is a list of selected initiatives

undertaken by the federal government as opposed to individual emirate governments, given that labour matters fall within the domain of the federal government, as constitutionally enshrined.

**Table 8.1: Chronology of labour policy in the UAE**

Year	Events
1972	<ul style="list-style-type: none"> <li>The Civil Service Council decided that first preference in hiring would be given to UAE citizens and then to nationals of other Arab countries.</li> </ul>
1980	<ul style="list-style-type: none"> <li>Sheikh Zayed issued the Federal Labour Law.</li> </ul>
1990	<ul style="list-style-type: none"> <li>Government introduced a job-creation plan aiming at placing 700 jobs for nationals annually.</li> </ul>
1992	<ul style="list-style-type: none"> <li>Dubai Chamber of Commerce and Industry set up the Emiratisation Council.</li> <li>Vocational School opened at Abu Dhabi and Dubai.</li> </ul>
1993	<ul style="list-style-type: none"> <li>Council of Ministers decided to introduce the annual 5% Emiratisation quota system to the insurance sector.</li> <li>Debate over Emiratisation in banking sector started in the Federal Government body.</li> <li>Some universities started career fairs.</li> </ul>
1996	<ul style="list-style-type: none"> <li>UAE became a member of WTO.</li> <li>FNC recommended the setting up of a supreme board for the appointment of UAE citizens and to follow up on national manpower.</li> </ul>
1997	<ul style="list-style-type: none"> <li>Committee for Human Resources Development in the Banking Sector (CHRDB) set up.</li> </ul>
1999	<ul style="list-style-type: none"> <li>National Human Resource Development and Employment Authority (TANMIA) set up.</li> </ul>
2002	<ul style="list-style-type: none"> <li>UAE government ratified a part of the treaties of International Labour Organisation (ILO)</li> </ul>
2004	<ul style="list-style-type: none"> <li>Council of Ministers decision No. 1/259 of 2004 obligates 2% Emiratisation quota in the private sector (trade company) .</li> </ul>
2005	<ul style="list-style-type: none"> <li>Ministry of Labour and Social Affairs ordered its decisions No. 41 (2 % Emiratisation quota to trade company), No. 42 (5% Emiratisation quota to insurance company), and No. 43 (4% Emiratisation quota to bank).</li> </ul>
2006	<ul style="list-style-type: none"> <li>Dubai government set up Emirates National Development Program (ENDP).</li> <li>Complete Emiratisation of Public relations officer (PRO), secretarial and personnel affairs positions.</li> </ul>
2007	<ul style="list-style-type: none"> <li>Emirates Foundation set up Emiratisation programme 'Tawteen.'</li> </ul>

	<ul style="list-style-type: none"> <li>• UAE government announced 'UAE Government Strategic Plan.'</li> <li>• Dubai government announced 'Dubai Strategic Plan 2015.'</li> <li>• Ministry of Labour ordered an expansion of the coverage of Emiratisation to the Tourism, Exchange, Hotel, Construction and Service sectors.</li> </ul>
2008	<ul style="list-style-type: none"> <li>• National Demographic Structure Committee was set up by the government under the Ministry of Interior.</li> </ul>

**Source: [al Abed et al 1996; Davidson 2005; Koji 2011].**

From the above table it may be deduced that "...the first and most symbolic labour policy was the decision that UAE nationals be given first priority in employment [UAE Labour Law Article 9]. The federal Labour Law was enacted in 1980 and basic labour-related regulations were introduced by the early 1980s" according to Koji (2011:45). The typologies of labour market initiatives over the last 35-40 years are primarily aimed at breaking the hegemonic stronghold that expatriates have on the labour market. It also demonstrates the strategic importance that the government of the UAE has placed on the development of its indigenous human capital.

### **8.2.2. Demographics of Dubai**

The demographic structure of UAE society has been altered considerably by the sharp rise in population since the foundation of the state (*UAE Yearbook* 2005:219). This is explicable, based on the manifold expansion of economic activities in the UAE generally and Dubai in particular.

David Sorenson, in his book, *Interpreting the Middle East*, wrote that "...since the 1970s, but particularly with the end of the 'bonanza oil decade' in the 1980s, the demographic challenge has become the most acute socio-economic problem for an increasing number of Middle East countries" (Sorenson 2010:67). The Markaz Report of 2010 commented that "...the demographic structure of a country or region has wide-ranging implications, from health and education, to labor force make-up and fiscal budgeting. The population is the driving force of an economy; it is the unit by which

economic output is realized and as such, should be invested in and shaped in a manner to better influence economic growth” (Markaz Research Report 2010: 2).

The UAE suffers from deep demographic imbalances between UAE nationals and non-nationals in the private and public sector organizations; a situation that is being rapidly exacerbated. Some 360,000 foreigners entered the country on work visas in 2006. According to the 2005 population census, 8 out of 10 people living in the UAE were born abroad. If the current double digit annual economic growth continues, the percentage of non-citizens will reach 90 % by 2015 (Abdullah, 2007). A unique characteristic of the UAE, even among fellow GCC countries, is the demographic setting (Forstenlechner, 2009: 137). The percentage of UAE nationals living within its borders is estimated to be around 15 % to 20 % of the total population. The remainder is made up of expatriates on residence visas, mostly attained through sponsorship from an employer or to a much smaller extent, sponsorship through a business partner or ownership of freehold property (Government of the UAE, 2007; Grant *et al.*, 2007; Toledo, 2006 cited in Forstenlechner, 2009: 137). The effects of the laissez-faire employment policy that existed in the UAE are commented on by Ali (2008) cited in Randeree (2012:7):

....throughout the 1990s and the early 2000s, the UAE followed a relatively laissez faire employment policy. As a result, the population of the UAE reached 4.5 million in 2004; of this figure, only 20% was made up of UAE nationals and the rest comprised of other Arabs, South and Southeast Asians, Europeans, and Americans, among others.

By 2006, 91% of the country’s 2.4 million strong labor force was made up of expatriate workers, leaving a workforce comprised of only 9% UAE nationals (8% in the public sector and 1% in the private sector) (TAMNIA 2006 cited in Randeree 2012:8). Government of Dubai 2005 statistics showed “...in Dubai

alone, local citizens accounted for only 2% of the labor force, while over 50% were from India.” (Randeree 2012:8).

An analysis of the demographics of the city of Dubai alone provides many clues to the issues of human capital that the country as a whole is facing. The demographic data of Dubai indicates that it is a unique city, even in a global context (Madar Research Group 2004 cited in Randeree 2009:3). Further findings by the Madar Research Group 2004 indicate that “...the city ranks highest in the world as regards to the male to female ratio (2.62 males to 1 female); the workforce to population (68.33 %); expatriate as a percentage of the total population (82%); population growth per annum (7%), and population under 65 years of age” (99.35%) (Ibd: 3).

**Table 8.2: Dubai’s demographic world records**

<b>Parameter</b>	<b>Ratio %</b>	<b>World Rank</b>
Male to female ratio	2.62 males to 1 female	Highest
Workforce to population	68.33	Highest
Expats as a percentage of population	82.00	Highest
Population growth	7.00	Highest
Population under 65 years	99.00	Highest

**Source: Madar Research Group, “Dubai Knowledge Economy 2003-2008,” Vol. 2, 2004 cited in Randeree (2012)**

A close examination of the table above reveals that the city state of Dubai is primarily a male dominated city, with a fairly young population and a labour force dominated by expatriates. These statistics are a microcosmic reflection of the other emirates in the country. Based on his own observations from living in Dubai for eight years this researcher supports the demographical profile outlined in Table 8.3 below. The UAE and Dubai especially is cosmopolitan in nature while geographically, it is also strategically located between Africa, Asia and Europe; in addition, “...it is a place where people run to and not from” according to US President Barack Obama (section 8.1 refers).

**Table 8.3: National and expatriate population make-up between 1998-2008**

Category	1998	2000	2001	2002	2005	2006	2007	2008
Nationals	133110	N/A	N/A	N/A	137,573	144,296	151,127	157,514
Expatriates	649890	N/A	N/A	N/A	1,188,880	1,277,516	1378665	1488459
Total	783,000	826387	1029000	961,000	1,321,453	1,421,812	1529792	1645973
Percent of Expat/Total	83	N/A	N/A	N/A	79.9	96.7	90	90.4

**Collated Sources: Dubai Statistical Centre 2011 Report, *Gulf News* January 9, 2003,**

**<http://www.uaestatistics.gov.ae/ReportPDF/Population%20Estimates%202006%20-%202010.pdf>,**

**[http://www.uaeinteract.com/docs/Population\\_of\\_UAE\\_climbs\\_7.4pc\\_in\\_2001/4796.htm](http://www.uaeinteract.com/docs/Population_of_UAE_climbs_7.4pc_in_2001/4796.htm)**

**<http://www.ameinfo.com/16342.html>**

It is patently clear to this researcher that the nationalization of the labour force policy in the UAE has come about as a result of the growth of the expatriate labour force as illustrated by the demographic figures outlined in Table 8.2. Dubai has witnessed an astronomical increase in its expatriate population by some 838,569 individuals that are legally accounted for, in just 10 years. The Emiratisation policy is deeply influenced and informed by the size of the expatriate population and by extension, the size of its labour force, of which only fragmented data is available to the public at the time of writing. Horinuki (2009b: 71–72) cited in Koji 2011:43) writes that...

....The cause of this demographic imbalance can be explained by the national development process in the UAE. During the state-building period in the 1970s, the UAE brought in massive numbers of expatriate workers due to a lack of skilled and unskilled national workers. Then the UAE government attempted to develop the non-oil sector to reduce the nation's dependency on oil revenue in 1980s. Thus, non-oil sectors such as manufacturing, construction, and services have expanded; however, these sectors create job opportunities mainly for expatriates because nationals tend to avoid working there due to the working conditions.

### **8.3. What is Emiratisation and what are its aims?**

In recent years “Nationalization” has been added to the lexicon of Human Resources Development literature, which has led Al-Rumaithi *et al.* (2005:2) to pose the question: “...what does the term really mean?” Mashood *et al.* (2009), citing Metcalfe (2007), partially explains that nationalization is a “state-led labour market policy,” also known as Emiratisation in the United Arab Emirates. It has “...long been recognized by political leaders throughout the Middle East that the over dependence on an expatriate workforce has serious long-term political, economic and social consequences” (Al-Lamki, 1998 cited in Rees 2007: 33).

Rees et al (2007:33) point out that:

“...As a result, the region has seen various politically led nationalization strategies designed to encourage and support the employment of nationals in preference to expatriates. For example, in Oman, Saudi Arabia and the United Arab Emirates (UAE), these nationalization strategies, given the titles of Omanization, Saudization and Emiratisation respectively, represent key policies that influence and to an extent, dictate aspects of employment practices in both the public and private sectors of these countries.”

Emiratisation is an example of “...the interventionists approach often taken by governments of the region” (Harry 2007 cited in Mashood *et al.* 2009:2-3). A more expansive definition was coined by Al-Ali (2007: 368) who posited that “Emiratisation is [sic] a focused social capital program, which seeks to overcome structural barriers to Emirati employment in organisations and address social issues arising from citizens’ entry into the labour market.” In 2008, Al-Ali re-stated his definition and provided a most succinct summary of the nationalization of the labour market in the UAE by stating that the process of Emiratisation is the situation “...whereby the UAE’s federal government attempts to force job opportunities for their nationals” (2008:29).

An alternative description is provided by Godwin (2006:8) who postulated that “Emiratisation is an affirmative action, quota driven employment policy that ensures UAE nationals are given employment opportunities in the private sector.” Invariably, the given policy is strongly correlated to the human resources development of the indigenous population. The quotation cited below in Section 8.3.1, by the former President of the UAE, clearly articulates the nexus between the socio-economic development of the UAE and the technical and managerial competence of its local population. In summary: according to the Abu Dhabi Government (as Capital of the UAE), “Emiratisation, [is] the name of the nationwide programme launched to effectively assimilate the UAE national workforce in the labour market.” <http://www.abudhabi.ae/egovPoolPortal>.

### **8.3.1. Aims of Emiratisation**

The founding father of the United Arab Emirates, the late Sheikh Zayed Bin Al-Nahyan, was quoted by Al-Rumaithi *et al.* (2005:2) as saying “...developing human beings is a national necessity that precedes building of factories and establishments. Without the right man or woman it is impossible to achieve prosperity for this nation...”, by which he meant the UAE. Thus, the architecture of the Emiratisation programme is designed to achieve socio-economic objectives and to foster social cohesion within the local community. It is within this context that the Federal Government, under the direction of TAMINA, has stated its strategic vision:

“...[it] favours a three pronged strategy: (a) to improve the mobility of all workers including expatriates; (b) to advance the productivity of Emirati citizens whereby no job is considered off limits, and Emiratis can compete with foreign nationals on a ‘level playing field’; and (c) to integrate the output of educational establishments with the needs of the labour market. All of these measures are designed to create an authentic Emiratisation process” (Randeree, 2009).

Many Emiratis face social exclusion from the labour market by numerous foreign owned private sector organizations operating in the UAE and especially in Dubai; thus, the political decision was made, and subsequent initiatives undertaken, to localize the labour market. Emiratisation may therefore be described as: “....a policy which aims to reduce the country’s reliance on expatriate labour and to increase the participation of nationals in the labour market” (Wilkins 2001:8 cited in Mashood *et al.* 2009:2). In other words, the over-arching strategic and socio-political aim of Emiratisation is to achieve ‘flexi-curity’ among other issues on the national political agenda, as described below:

According to Wilthagen and Rogowski (2002:250) cited in Wilthagen and Tros (2004):

“Flexi-curity is a policy strategy that attempts, synchronically and in a deliberate way, to enhance the flexibility of labour markets, work organisation and labour relations on the one hand, and to enhance security – employment security and social security – notably for weaker groups in and outside the labour market, on the other hand.”

Through the pragmatic approach of Emiratisation, policies and regulations are being crafted and enacted to achieve and strengthen the integration of the Emirati indigenous population in the domestic labour market. If the so-called flexi-curity process is able to absorb and integrate the indigenous population that suffers from a skills deficit and which is also a minority group, into the labour market as well as bolstering their career progression, then the policy makers would have achieved their political aim.

#### **8.4. Emiratisation policy framework**

Nationalisation or Emiratisation of the human capital has now become the predominant desired and articulated policy of all rulers of countries that form the GCC as noted by Randeree (2009:1). Heard-Bay believes that

Emiratization has a long history, starting as far back as the 1930s, and had its roots in the *al-khawiyah* (the oil exploration by foreign firms in the early 1930s) when the rulers insisted that as part of their concession agreements, the firms should be obliged to recruit and train some of the local population, rather than importing all of the labour (Heard-Bay 1982, cited in Davidson 2005).

As may be observed from Table 8.1 above, the more recent and extensive attempt at Emiratization began in 1972, through the 1980s and the 1990s. According to an Abu Dhabi Planning Department Report (1976:14) cited in Davidson (2005:151):

“...The Emiratization strategies became more comprehensive in the decades of the 1970s and 1980s with the official economic and social development plans outlining a comprehensive programme aiming to rehabilitate as many UAE nationals as possible by educating and training them to participate in the work force.”

The Labour Law of 1980 provides that UAE nationals should take priority over any other nationalities when seeking jobs (followed by other Arab nationals). This means, in theory, that the Ministry of Labour will not permit non-UAE nationals to be recruited where its records show that there are unemployed nationals who could perform those roles (Latham & Watkins 2009:2). These requirements are currently not applied in the Dubai International Financial Centre (DIFC) but may be applied in other Free Zone areas. As part of its Emiratization programme, the UAE has sought to identify suitable industries in which its nationals can work. Banking and insurance were identified as two such industries a few years ago, and there are now specific annual quotas for companies operating in these sectors (Latham & Watkins 2009: 2-3). Randeree (2009:11) annotates this:

“...Legislation set out by the Ministry of Labour includes the issuance of a decree for Emiratization of all HR managers, personnel managers and most secretarial positions in private companies, with work permits for expatriates

no longer permitted in those positions since July 2006. Consequently, foreign nationals holding secretarial posts would lose their jobs by default at termination of their fixed term contracts or expiry of their labour cards.”

While nationalization strategies differ from one country to another, they all commonly involve mainstream strategic human resources activities (Looney, 2004 cited in Rendeere 2012:6). Another commonality between Saudization, Omanization, Bahrainization, Omanization and Emiratization is that they all: “...consist of a number of quotas and incentives encouraging public and private companies to employ Emiratis, both men and women” (2005 cited in Raven 2011:136).

Fundamentally, at a policy level via decrees, initiatives and or legislation (the labour act of 1980) there is a comprehensive attempt to correct the labour market incongruity that exists in the domestic labour market. The present system of labour policies and initiatives will, to some extent, help to decouple Emiratis from the public sector and force them to seek employment in the private sector. The rather truncated set of initiatives outlined in Table 8.1 may be viewed as using state power to address, “...the isolation of Emiratis from their burgeoning economy, to bridge the gulf from a traditionalist Arab culture to the materialism and immediacy of Abu Dhabi and Dubai” (Al Ali 2008:372).

The use of existing institutions, and/or the creation of new ones, is part of the policy package in vogue to achieve the mandate of the politically sensitive social policy of labour force nationalization.

### **8.5. Institutional reform**

The full benefits of development, whether human or economic, cannot be realized without efficiently functioning institutions which play a pivotal role in the developmental process. The multi-dimensional nature of development as described in Chapter five requires the fundamental support of both civic

and state institutions. The colonial heritage of the former Trucial states, now the UAE, included a common lack of functional state supported agencies or institutions.

Drawing on the theoretical constructs of New Institutional Economics (NIE) which "...abandons the standard neoclassical assumptions that individuals have perfect information and unbounded rationality" (Ménard & Shirley 2008:1), the Federal Government of the UAE has established new institutions with the intention of providing information to its citizens concerning employment opportunities, without depending on the free market mechanisms to provide information to those who are economically active and are particularly seeking employment opportunities in the private sector.

For example, "...in 1997, the Committee for Human Resources Development in the Banking Sector (CHRDB) was set up with the aim of having 50% of banking jobs being performed by UAE citizens by the year 2007. Similarly, the National Human Resources Development and Employment Authority was established by presidential decree" (Al Shaiba 2008:8); as an agent that implements federal government policies and provides regulatory oversight of the labour market.

The National Human Resources Development and Employment Authority, also called TANMIA leads the Emiratization effort (TANMIA, 2006 cited in Mashhood *et al.* 2009:3). The main functions of this Federal Government Authority are to achieve the following objectives being to:

- Create job opportunities for the UAE National Workforce
- Reduce the unemployment ratio
- Enhance the skills and productivity of the national workforce

- Recommend relevant policies to the UAE Federal Government” (TANMIA, 2006 cited in Mashood 2009:3).

Other supporting institutions tasked with a similar mandate of promulgating the process of Emiratisation in individual emirates, have led to the formation of the Abu Dhabi Emiratisation Council and the Emirates National Development Programme of Dubai. These institutions owe their existence to, in the first instance, the imbalance in the demographic composition of the labour market and the need to implement the affirmative action policy to eliminate the duality that exists in the labour market.

In the second instance, they play a role in attempting to redress the acute underdevelopment and under-utilization of the national labour force despite the increase in adult literacy. Thus, these institutions have been established to ensure that labour market reforms and the existing labour law and ministerial decrees are adhered to, and simultaneously to develop a labour force that possesses the correct skills set, coupled with the right aptitude to function in the private sector.

Inevitably, these newly created institutions, in conjunction with the Ministry of Labour (MOL), will seek to hasten the process to “....reduce the dependence on foreign workers and to ensure that UAE citizens benefit from the economic growth in the country” (Latham & Watkins, 2009: 2). Given that the UAE ratified the treaty establishing the International Labour Organization, national legislation undoubtedly will seek to “....protect the rights of foreign workers in accordance with national laws and international treaties on labour and human rights” (*UAE Yearbook 2007: 217*).

## **8.6. Emiratisation strategies**

Holistic development cannot take place on its own or in a vacuum, but instead must be accompanied by a set of strategies; similarly, the Emiratisation programme requires the requisite strategies. The following are

some of those that have been implemented with the aim of correcting the aforementioned demographic imbalance that has resulted in social and economic exclusion.

### **8.6.1. Education and human resources development**

As mentioned earlier, education is considered to be a key element in promoting the necessary skills for social and economic development; thus free education is provided for all UAE citizens (*UAE Yearbook 2001:198*). With specific reference to Emiratization, a special emphasis was placed on courses and subjects relating to business practices and the professional skills demanded by other areas of the economy; the government via TANMIA also offers training programmes for nationals to ensure that they have acquired adequate skills to be hired by the private sector (Davidson 2005:151, UAE Ministry of Foreign Affairs 2010).

At the private sector level, there has been a groundswell of support for the nationalization effort. An interview conducted by the researcher with long time resident in UAE, in which the respondent noted that "...increasingly, companies are providing on-the-job training for Emiratis and have also made yearly budgetary provisions for training and development of nationals within their companies" (Interview 9, 2011). Training and development of nationals is fundamentally important in the light of what Ian Giulianotti of NADIA Recruiting Consultancy says: "...there is a 'perceived' shortage of suitable candidates in the market place" (*Gulf Business 2008 April*). The development trajectory of the UAE is to diversify its domestic economy from hydrocarbons to a more knowledge driven 21<sup>st</sup> century economy, (Chapter seven refers) and if nationals (Emiratis) are to play a meaningful role in their own economy then a radical paradigm shift will need to take place in raising their level of skills and competences.

### **8.6.2. Quota system for strategic sectors**

The affirmative action policy imposes employment quotas on the banking, insurance and trade sectors (Goodwin 2006, Davidson 2005; *Gulf Business* 2008 April). The targeted sectors were selected based on two principal criteria: the economic health of the industry and its importance to the country and the availability of skilled jobs where good working conditions exist for nationals (Ministry of Foreign Trade 2010).

TANMIA makes the point that:

To achieve targeted Emiratisation, the government focused on banks for the overarching strategy of ensuring that the leadership of a key economic group was a national priority, and a pragmatic approach to the availability of skilled jobs in a working environment acceptable to UAE nationals. In 1998, Cabinet Decree No. 10 directed all banks to achieve 4 per cent annual incremental increase of Emirati staff. The banks already had, for UAE, substantial numbers of national employees, and the quota was considered a sustainable target (TANMIA, 2004 cited in Al Ali 2008: 369).

Given; the strategic and developmental role that the insurance sector plays in the economy, making it an important employer of nationals. The Council of Ministers issued its resolution No. 202/2 for 2003 obligating all insurance firms operating in the UAE to raise their intake of national employees to 15% by the end of 2003, at the rate of 5% per year. And in 2005, the Cabinet issued its resolution No. 42 entrusting TANMIA with the task of monitoring Emiratisation of this sector (UAE Ministry of Foreign Affairs 2010).

In addition to the insurance industry, the trading sector in the UAE is of major interest to the country in terms of its strategic role and contribution to the local economy; making it an important employer of nationals too. Against this background the Council of Ministers issued its resolution No. 259/1 for 2004, obligating all trading firms employing 50 or more workers to raise their intake of national employees at the rate of 2% annually, starting

from 2004 (UAE Ministry of Foreign Affairs 2010, *Gulf Business* 2008, October).

In summary, the Federal Government has strategically targeted sectors within the local economy that would allow them easily achieve its affirmative action quotas and simultaneously embracing and protecting the principles of free market policies.

### **8.6.3. Long amnesty period**

The Government of the UAE has in recent years embarked on an extended amnesty period for foreign workers who have remained in the country without a valid visitors or residence visa (Davidson 2005). If the illegal expatriates take advantage of the amnesty period, only minimal penalties are levied on them. This critically important strategy employed by the state is aimed at achieving the nationalization objectives. Davidson (2005:153) noted that "...in 1996 over 200,000 illegal immigrants were deported." Similarly, the *Gulf News* (14 November, 2007) reported that "...some 342,000 illegal immigrants took advantage of the amnesty and out of the grand total, some 175,000 'over-stayers' left the country whilst the others legalized their status." The stance taken had its roots in an event in 1996, when the mass exodus of primarily low skilled workers, who took advantage of the amnesty period either to leave the country or legalize their status, created an acute labour shortage in the construction sector.

From the list of policies and strategies outlined above, it is clear that there is a concerted effort by both government and private sector stakeholders in the economy to ensure that nationalization of the labour market is a success. In the next section of this chapter the main drivers of this seemingly complicated, but necessary, social policy will be examined.

## **8.7. Emiratisation: environmental drivers**

In undertaking an environmental scanning of the key variables driving the political project to nationalize the labour market in the UAE, a number of social, political, economic and cultural variables were uncovered. In attempting to appease the local population, the federal government of the UAE faces the dichotomy of balancing the interests of the local business community with that of its own people. Some of these issues are discussed below.

### **8.7.1. Economic sustainability**

State elites throughout the GCC have long recognized that the dependence on an expatriate workforce has serious and long-term political, economic, and social implications (Al-Lamki 1998 cited in Randeere 2012:6). In light of the indicated transformation of the UAE's society, "...the government has recognized the need to involve nationals in mainstream economic activities along with creating employment opportunities for women in order to further integrate them into the formal economy" (Randeree 2012:4). In addition, the UAE Government Strategy 2011-2013 strives to ensure that all Government work is conducted according to a set of guiding principles that puts citizens first ([www.uaecabinet.gov.ae](http://www.uaecabinet.gov.ae)). Not being full participants in the economic success of the society could "...exacerbate long standing socio-economic problems" (Ibrahim 2008:1) of some Emiratis who are on the periphery of the society.

A young Emirati citizen, noted in an interview that "...from an economic perspective, there is a need for locals to be involved in the main stream economic activities as they have a direct interest in the success of the UAE" (Interview 11, 2012) Without ignoring the notion in which "...economic theory states that international migration will confer benefits to the host country in the form of an immigration surplus representing an increase in national income accruing to the natives" (Borjas 1995 cited in Hui & Hashmi

2004:9), there is also a fiscal problem of massive outward remittances from the host country (UAE) that places...

...Pressure on fiscal policy: given the sheer size of the money fleeing the economy, it is expected that this would weaken the efficacy of the fiscal policy. The growing size of these remittances adds downward pressure on the government spending multiplier. In other words, when the government plans to boost spending in case of recession, this spending level should be relatively higher to offset the remittances leakage (Naufal & Termos 2009:10).

Fiscal pressure, due to leakage from the economy at a macro-level, will serve as a stimulus for the government to ensure that there is full nationalization of the labour force. In addition, the failure to ensure that Emiratis are integrated into the country's labour market "...could result in both a social and economic cost to the region in general and the UAE in particular in terms of the loss in potential human capital utilization and returns from education" (Arab Human Capital Challenge 2009:14).

### **8.7.2. Unemployment**

The growing trend of unemployment in the rentier oriented state of the UAE is one of the variables or key drivers pushing for a more quantitative shift in the demographics of the labour market. As has been observed,

"...the recent economic landscape in Gulf countries has been characterized by high economic growth and industrial expansion. But despite a strong economic performance and phenomenal employment growth, unemployment amongst nationals is relatively high" (Bashi 2010: 14).

The indigenous population in Dubai and the UAE in general tends experience structural unemployment given that the nature of the economy has evolved into a knowledge based economy which requires a new skills set and too often Emiratis are not able to provide 'that' skills set.

Abdullah Al-Awadi, a consultant at TANMIA, was quoted as saying “...the UAE society, like other Gulf societies, is suffering from an unemployment crisis that is moving in an upward line because of the continued surge in expatriate workers and difficulties in the implementation of the job nationalisation programmes” (Kawach 2010). In the absence of credible unemployment figures in Dubai, Hraiz (2009:1) provides a snapshot of the unemployment crisis gripping the capital city of Abu Dhabi.

**Table 8.4: Approximate Unemployment Rate Abu Dhabi**

Category	1985	1995	2005	2008
Nationals	3.4%	5.7%	12%	12.7%
Expatriates	1.2%	1.5%	2.5%	2.5%

**Source: Amna Bin Hraiz (2009), adapted from the Abu Dhabi Statistics Centre Report.**

A careful analysis of the unemployment figures amongst the Emirati population in Abu Dhabi reveals cause for concern as reflected above in Table 8.3. As Hraiz explains, that some “...12.7 % of the 96, 000 Emiratis of working age in the capital city is unemployed, when compared to 2.5% of the 823,000 expatriates of working age....” represents a serious social crisis in the making, with political implications.

Nationally, based on different pieces of research carried out by the Federal National Council and the National Human Resources Development Authority, unemployment in the UAE had reached an unprecedented high of 13% since the formation of the federal state. “...This means that the number of UAE national job seekers has broken the 40,000-mark for the first time since the country was founded... in the past, unemployment rates ranged between three and six per cent, almost equivalent to Gulf and global levels” (Kawach 2009).

Having a phenomenal influx of expatriates employment growth rates whilst nationals remain unemployed is socially unacceptable and could lead to alienation of youth as well as threatening the social fabric of the society (Bashi 2010:15). Thus, it is unavoidable that the rise in unemployment amongst the citizens of the UAE is sufficient reason for positive discrimination in the form labour force nationalization to be put into effect.

### **8.7.3. Public sector rationalization**

In the UAE there is an unwritten rule that the public sector is responsible for securing job opportunities for *all* national workers (Girgis 2002:4) and thus, either by design or coincidentally, "...at present, the majority of nationals work in the public sector" (*UAE Yearbook* 2005:220). The past decade has seen the focus shifted toward nationalization of the private sector workforce. This shift took place because the various governments realized that they could not indefinitely take the lead role in employing national workers. In addition, they have started to demand professionals who have specialized in such fields as education and health, because of the population dynamics (Fasano and Goyal 2004:17). This re-orientation in the socio-demographical structure of the UAE public sector is based on the fact that this sector has "...reached saturation point and is therefore, incapable of absorbing" (*UAE Yearbook* 2005:220) the increasing number of Emirati graduates that are entering the job market. Thus, it is important that Emiratis must be encouraged to change their mindset and seek employment in the private sector, irrespective of their suppositions that the public sector offers a better opportunity.

### **8.7.4. "Governmentality"**

Drawing on the concept of *governmentality*, as articulated by Foucault (1991), there is a nexus and a seemingly strong correlation between the concept of Emiratisation and *governmentality* within the rentier state structure of the UAE. To justify the researcher's argument it is observed that

“...the state uses mechanisms such as entitlements and welfare allocations typically found within the Gulf countries” (Krause 2009:3) to determine how citizens should behave towards the state and the political elite as a whole. In employing the principle of “verticality” the UAE state assigns the promethean challenge of reversing the deeply entrenched imbalance in the domestic labour market to a newly created state organ, the aforementioned National Human Resources Development and Employment Authority (TANMIA). This is in effect “...bolstering the power of the state through vertical encompassment” (Ferguson and Gupta 2002 cited in Krause 2009:7), via the localization or nationalization of the local labour. The use of the ruler’s decree or legislation to regulate the conduct of the non-indigenous private sector, so as to achieve the political objectives of governmentality in the name of Emiratisation, is deemed appropriate as it reflects the image that the government wants its citizens to see.

### **8.8. Expatriate workers’ contributions to the development of the UAE**

This study agrees that contrary to the findings of Wise and Coveribles (2007:9) who noted that “...underdeveloped countries tend to find themselves with redundant population reserves,” Dubai’s socio-economic history has largely been one of underdevelopment and lacking human resources. Subsequent to the discovery of oil in the GCC and the UAE in particular, respective governments have developed national development plans as discussed in Chapter seven of this thesis. These plans were inextricable linked to the usage of highly skilled, unskilled and or semi-skilled workers, to be absorbed in the economic transformation that accompanied massive inflows of petro-dollars to Dubai and the UAE.

Al Khouri (2010) noted that

“...using the significant financial liquidity generated from the petroleum revenues, GCC countries (including the UAE) followed a gradual development and modernization pathway to pursue their economic and social transformation plans. Due to increased oil prices, which reached

unprecedented levels between 1970s and 1990s, a large number of migrant workers started to inflow the GCC countries. This workforce primarily participated in the following three strategic sectors: infrastructure, industrial and social services development.”

According to Girgis (2002: 4) this was “...the first, the *Major Influx* that arrived in the UAE between the early 1970s and early 1980s when the flow of oil revenues provided the financial resources required to build the UAE’s infrastructure.” In the UAE, it is commonly said that the first contract workers came to build up the country, while the migrants of today maintain it. In fact, with massive help from the foreign workers the Gulf States developed in record time from poor, underdeveloped states into highly modernized countries (Sutter 2005:4). It is the expressed view of many, including Girgis that expatriate labour has contributed immensely to the socio-economic development of the UAE, including Dubai, and will continue to do so in the future. As the national economy intensifies its diversification efforts, inevitably different skills sets of guest workers will be required to contribute significantly to the socio-economic development architecture of Dubai and the wider GCC states. In 2009 the Minister of Labour Saqr Gobash was quoted as saying, “...the 4.1 million foreign and local workers were the UAE development stakeholders” (Salama 2009).

Going forward, experts, economists and business people agree that the role of expatriates across all sectors will continue to be vital. A focus on Emiratisation may help boost local participation in the private sector, but in view of the ongoing economic growth targets, analysts say the reliance on foreign nationals is unlikely to dissipate (Broomhall 2011:4). Ibrahim (2008:1) comments that a continued reliance on expatriates “...is essential if the UAE economy is to sustain the generation of unprecedented wealth and creating new generations of wealthy citizens.”

### **8.8.1. Harnessing the expatriate labour for national development**

The sustainable development of any community or national economy is only achievable on the basis that the requisite national labour force is available to implement development policies and strategies. Contrary to this trend of thought, the GCC and the UAE in particular suffers from an acute demographical imbalance that poses a serious threat to the political project of achieving economic diversification, empowerment of local citizens and preservation of national wealth for future generations.

The GCC and Dubai in particular may have eluded the typical oil curse or “*Dutch Disease*” syndrome; however the society finds itself facing a conundrum where, in spite of the vast socio-economic transformation that has taken place in the UAE including Dubai, and despite having one of the world’s largest sovereign wealth funds (SWF), its public education system is in crisis. The Abu Dhabi based Emirates Centre for Strategic Studies and Research opined that, “currently there is an education crisis facing the Gulf countries including the UAE (Dubai), the most prominent aspect of which is the failure of the educational output to satisfy the needs of the labour market” (ECSSR 2009: 13). An anonymous interview conducted by the researcher with an educator who has been living in Dubai for twenty years, elicited a fundamental point, that:

.... The public education at the secondary level is in an appalling state in the UAE generally, and yet the country appears to be investing heavily in nationalisation and skill development of undergraduate and postgraduate national students, but for some odd reason, the powers that be, seem reluctant to work from the ground up. I’m not sure what the reason for this is, but in my opinion, it’s a glaring omission (Interview 16).

A *World Report* of February, 2008 made an observation similar to that by Pinto, highlighting the concern that “....the education level in the Arab world was extremely low” (ESSR 2009:13).

There has been a groundswell of concern within Dubai and generally in the UAE as how to harness expatriate labour for sustainable development of the emirates without the continued extensive over-reliance on cheap foreign labour that does not have the nation's interest at heart. Randeree (2009) cited in Randeree (2012:4) reiterates that "...the economies of the GCC cannot afford to have their long-term development needs seconded indefinitely to foreign experts, and must now be firmly placed in the hands of a growing national workforce." Therefore, a concerted attempt must be made to harness expatriate labour, if the political project of "...redressing the socio-demographic imbalances within the labor markets" (Randeree 2012:4) is to be tackled effectively.

It is therefore imperative that policy-makers in Dubai (and the UAE) devise a range of policy instruments, coupled with some appropriate incentives that would motivate expatriates to coalesce around a mutually beneficial training, development and skills transfer agenda. From the experiences of Australia, South Africa and the USA, affirmative action, or "indigenization" of the work force using almost exclusively a quota system is not a pragmatic way to address the fundamental problem of local skills shortages in a growing economy that is increasingly becoming knowledge based and oriented.

Leveraging skills and professional development amongst Emiratis cannot be done at the expense of the expatriates who will have to train their replacements. Similarly to the integrated approach in the design and crafting of national development plans, the nationalization of local labour has to be a multi-pronged and inclusive approach. It must be borne in mind, and consistently so, that policy prescription is not aimed at "...job creation as this is not the biggest challenge of Dubai and the UAE as much as the mis-match between national labors' demand and supply in the job market" (Markaz Research Report 2012:21).

This stance is somewhat ironic in that nearly half-a-century ago, the Gulf nations were desperate to see expatriate workers stream into their oil-rich region. Today, they are struggling to assist them to stream out. While their policy in the past achieved success, it is currently not equally successful (Kawach 2010). Fundamental challenges encountered by private and public sector stakeholders in their efforts at re-aligning the labour force are deeply embedded in the phenomenon of expatriate labour.

## **8.9. Constraints and challenges**

The discourse around the success, failure, relevance or perception of the Emiratization initiative has to be debated within the context of the UAE's "socialization process, common values, customs, religion and quality of life" (Budhwar & Mellahi 2006:10).

### **8.9.1. The '*Mudīr Syndrome*'**

The process of Emiratisation and its effectiveness is seriously undermined by what is regarded as the "mudīr syndrome" which refers to the characteristic, very common to the UAE and other GCC states, "...where everyone wants a professional or managerial job, not a menial, semi-skilled, or technical one, despite the need for those in the economy to create employment" (Champion 2003:200-202 cited in Gray 2011:24). The education sector at the secondary and primary levels has not been insulated from the said, all encompassing syndrome. It is very rare to find an Emirati educator in private schools. Being a school teacher does not carry with it the materialism and immediacy of wealth and status as do other areas of the national economy. Thus, it is not an attractive professional choice for Emiratis, male or female. In essence it may be described as "this is what foreigners do and not us."

### **8.9.2. Rentierism and welfarism**

The rentier nature of the UAE state, and the emirate of Dubai especially, is paradoxically proving to stymie the development of the Emirati labour force. The machinations of the Federal and emirate governments tend to be distributive of its oil rent and this makes it very difficult to wean Emirati citizens off their state dependency. Similarly, it is just as difficult to wean the private and public sectors respectively off migrant labour. This is turning out to be a double-edged sword for both state and citizens; but especially so for the state, which uses oil revenue to ensure political stability and social cohesion.

### **8.9.3. Termination of employment**

An Emirati citizen, in his final year at the Higher College of Technology (HCT), he explained that “...a local cannot be fired by a foreigner who owns and or manages a company in Dubai and the UAE in general.” (Interview 10, 2012) This is a causation factor that prevents or discourages foreign owned Dubai (UAE) based companies from hiring UAE citizens. The aforementioned comment is a systemic problem which can best be described as a myopic policy that will hinder the holistic achievement of the objectives of the Emiratisation national project. Similarly, as mentioned above in Section 8.1.1, provisions are made under the federal labour law to give priority to Emirati citizens in terms of employment regardless of their costs and productivity.

### **8.9.4. Perception**

Stereotypes may be defined as generalized “...beliefs about the characteristics, attributes and behaviour of members of certain groups”, according to Hilton and von Hippel (1996:240 cited in Al-Waqfi & Forstenlechner 2010:368). When the “...epistemic perspectives” (Ndlovu-Gatsheni 2012:1), of the Emirati work ethic is published it will be riddled

with stereotypes about the incompetence and laziness of the citizens of the UAE. The stereotypes may be rooted in the fact that the vast majority of the local labour force is absorbed into the public sector.

Furthermore, "...the negative stereotypes of the citizens are probably caused by these realities, the privileges that are given to citizens in the public sector over the past several decades created a sense of entitlement among citizens that affected their expectations and attitudes and contributed to these negative stereotypes" (Al- Waqfi & Forstenlecher 2010:375). UAE based social commentator Al Gergawi opined that the "antecedent to this sense of entitlement" (Al Gergawi, 2008 cited in Al- Waqfi & Forstenlecher 2010:375)..., is the system of unrationalised and unjustified distribution of rewards available to citizens in the public sector, where payment is motivated by welfare rather than performance considerations" (Abdalla et al., 2010 and Forstenlechner, 2010 cited in Al- Waqfi & Forstenlecher 2010:375).

Stereotypes are echoed by the immigrant community who view the Emiratisation programme in a similar way to that in which affirmative action is viewed by some sections of the South African population. A senior employee from a MNC located in Dubai, echoed the view that "...these 'locals' -[...] UAE citizens were incompetent and do not possess the requisite technical and administrative skills to operate effectively in a Multinational Corporation of noted repute" (Informal Interview 1, 2007) From the researcher's personal experience of living in Dubai for almost a decade, it becomes easily understandable why some expatriates may harbour negative stereotypical sentiments about the citizens of the country. These negative perceptions are also reinforced by some locals who have a tendency to use the religious term, "*in shallah*", meaning: god willing (to indicate the pace at which a task will be performed and or when a decision will be made on a matter). This is often construed by Westerners to mean that there is a lack of competence in the individual/s who are tasked with the responsibility to serve the public.

Drawing again on his personal observation and study of the society, the researcher feels able to say categorically that the uninformed fail to understand the following: the socio-political structure and cultural dynamics of the society; the rentier nature of the state; the tacit social contract between leaders and the citizens as well as the traditional “sultanic” regime that dispenses power with a soft autocratic governmentality. Lack of information and understanding makes it easy to be drawn into negative perceptions about the society and its people.

#### **8.9.5. Retention of talents**

One of the challenges that both the private and public sectors suffer is high staff turnover. The *Gulf Business* [2008: 166] explained that “...companies that are able to find the right local candidate to fill the quota cannot rest since they have to work on concerted plans to retain the people they hired.” Increasingly there is competition at the federal and local levels of government for the same pool of talent; thus retention of nationals has become a major concern for organizations and government entities alike.

The impact of a very mobile Emirati labour force is felt in the private sector as: “...nationals do not like the working conditions in the private sector and also the salary is generally not attractive enough to retain them and thus [they] prefer to work in the public sector”(Interview 9, 2011). Anecdotal evidence suggests that even at the government levels nationals prefer to work with the local government, as opposed to the federal one, because the compensation is more lucrative. In essence this challenge, faced by both private and public sectors, will thwart the Emiratisation process and inevitably prevent fast-tracking of the affirmative action government-led initiative.

### **8.9.6. Labour supply of locals**

Exponential economic growth in the UAE over the last decade and half has not been matched by equivalent “quantitative and qualitative” (Koji 2011) growth in human resource development across the country. Just over a decade ago Girgis (2002:2) remarked that “...the combined demand for nationals in the public and the private sectors falls short of the supply of national labor, most of whom are first time job seekers. For the private sector, it is difficult to respond positively to government demands to hire nationals at higher wage rates with less work experience compared to expatriate workers” (Girgis 2002:6).

In view of Girgis’ observations, coupled with the researcher’s personal observations, in the banking, law, education and construction fields Emiratisation in the private sector will continue to lag behind that of the public sector as there is an acute and persistent shortage of Emiratis with the requisite experience and qualifications to fill managerial and supervisory posts.

### **8.9.7. The cultural dilemma**

There was a time during the not too distant past in Dubai when “traditional cultural norms and practices ensured the seclusion of women from mainstream economic activities as women were relegated to work within the domestic, or household arena” (Talhmi 2004 cited in Randeree 2012:4). In addition, “...under these traditional, religious, social and cultural norms in the UAE, women and girls were socialized into the nurturing roles of mother and wife, rather than encouraged to develop careers” (Baud and Mahgoub, 2001 cited in Nelson 2004:7). However, “Emirati women are now entering the labour force in increasing numbers and the reasons for the increase relate directly to higher educational achievements and changing attitudes towards working women in the UAE and the region as a whole” (Nelson 2004:7). For example, in the United Arab Emirates, “...the contribution of

Emirati women to economic activity has increased from a mere 5.4 per cent in 1995 to 27.9 per cent in 2008” (UAE Yearbook 2009).

However, as women in the UAE have become more career oriented and educationally empowered, “gender stereotypes are often used to support their traditional roles. These stereotypes are closely connected to the surrounding culture in that they reflect cognitive beliefs about the differences between masculinity and femininity” (Best, 2004:11 cited in Omair 2011: 18). It is the researcher’s firm conviction that cultural mores pose a serious threat to the greater involvement of Emirati women in the labour market. Metle (2002 cited by Katlin 2011:21) suggests that “...there is a tacit official understanding that men should be given priority for promotion to leadership positions and that women should be discouraged from working if a man is available to fill the respective position.” In reality, the notion of the glass ceiling comes into play for Emirati women in the private and public sectors in the UAE, which is contrary to the socio-political agenda of the state as this cultural-cognitive mind-set hampers the growth of women’s role in the domestic labour market.

### **8.10. Conclusion**

It is ironic that after centuries of domination by foreign powers and for the second time in the history of the former Trucial states of the UAE its people are struggling for recognition in their own land. The UAE, along with Qatar, may be considered minority states, thus making for an urgent need to protect the cultural identity, birth-right and socio-economic progress of the society for present and future generations.

The impact of economic modernization on the UAE is in part due to rapid economic growth and development in the aftermath of the discovery of oil which has had unquantifiable social, economic and political ramifications for its people. A young population, combined with the confinement of women to their houses, due to cultural and religious norms, has created a

monumental shortage of labour in this respect. As such, there has been an influx of contract workers to the UAE to perform a wide range of jobs who, in the process, have created demographic shifts in the population and social exclusions for Emiratis.

Against that background, this chapter has dealt with the UAE's liberal approach to the use of foreign labour; the evolution of labour policies and regulations that have eventually led to the nationalization of the labour market. There are targeted sectors of the national economy in this regard: banking, insurance and trading, based on their contribution to GDP of the economy. Challenges and constraints have prevented the anticipated success of the process as "...most private sector firms are not willing to train unskilled and inexperienced nationals and then pay them considerably more than the rates paid to foreign workers" (Wilkins 2001:156). It is within such a context that "Emiratisation will remain a key element of the UAE's public policy for the foreseeable future" (Wilkins 2001:156). The centrality of the discourse on Emiratisation is perhaps explained most appropriately by Barnett (1998:9) who stated, "...it is usual in the sociology of development to be concerned with development at one or all of the following three levels- social, cultural, and political." Thus, for a change, "...the political-economy discourse on the Arab Gulf will not be focused on its geostrategic importance, but instead on the demographic pyramid profile and the idiosyncrasies of its labor markets" (Forstenlechner & Rutledge 2012). This quintessentially then shifts the focus to the centre of all national and local economies: their people or their "human capital".

## **Chapter Nine: Dubai Inc Model: An Analysis of its Merits and Demerits**

**History is no longer exclusively written in rich countries: emerging economies have been outperforming and depending less and less on the growth in the countries of the North. (Dr Laurent Lavigne du Cadet, CEO, Amwal Investment Bank)**

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### **9.1. Introduction**

Encountering development (Escobar 1995) or just mere economic growth has been the subject and emphasis of many policy-makers, politicians and the central foci of national development plans, structural adjustment programmes, modernization and neo-liberal development paradigms. However, only a few countries in Latin America, Africa, the Caribbean island states and the Arab states have been able to sufficiently display attributes of development as policy makers, international financial institutions and donors have envisage the outcome of the process.

The relatively small and previously insignificant city-state of Dubai defies economic literature by avoiding the rentier theory curse syndrome. Prior to the advent of the global financial crisis (GFC) of 2008-2009, the Emirate was heralded as a socioeconomic development miracle and was seen to represent and embody the ideals and aspirations of citizens in the Arab world. The Dubai Model has become the quintessential representation of what a state led approach to development is able to achieve and should achieve in petro-rich and labour poor states as well as in labour rich and resource poor states.

This chapter comprises eight major sections, further divided into sub-sections: Section 9.1 introduces the chapter, Section 9.2 deals with the economic performance of the Dubai Inc Model while Section 9.3 looks at State capacity and Section 9.4 explains the Embedded Autonomy of Dubai within the Federal State. Section 9.5 examines Replicability of the Dubai Model. Home Grown Development Strategies are addressed in Section 9.6 In Section 9.7 the Social Dimension of Dubai's Development is explained; while

Section 9.8 discusses Criticisms of the Dubai Model and, finally, 9.9 conclude the chapter.

## **9.2. Economic performance of the Dubai Model**

### **9.2.1. Economic growth**

This section describes Dubai's economic performance by examining the city's economic growth statistics between 1998 and 2008 within the framework of its Strategic Plans, as outlined in chapter seven. The barometer, by which all societies are rather myopically judged, is the strength of their economic growth rate. This is a relic from the "...attitude that was associated with the predominance of Keynesian economics, with its emphasis on broad economic aggregates, in the 1950s, when widespread attention was first paid to the problems of development and underdevelopment" (Keeton 1984:276). Pragmatically, policymakers should confine their analysis of "...economic growth within the context of it being just a measure of the productivity (Blakemore & Herrendorf, 2009:4).

The UAE has defied inter-country analyses which apparently showed, by way of empirical studies, that countries with an abundance of hydro-carbon are susceptible to what has been known as the "*oil curse*." The cluster of *skeikhdoms*, including Dubai, has pursued "...liberal economic policies that contribute to strong growth, although the volatile price of oil, upon which a large share of the country's revenue depends, creates an unpredictable revenue stream" (Sherif 2008:168).

Expansion of economic activities in the Emirate of Dubai over the last decade has been remarkable with double digit growth being achieved during the years 2000-2007; in the process, a significant percentage of the government's macro-economic targets, outlined in Dubai Vision 2010 and announced in 2000, were achieved by 2005. Inevitably, a new master-plan was conceived to take Dubai to the next stage of its ambitious growth and social development trajectory.

In 2007, when the ruler of Dubai and Vice President of the United Arab Emirates, Sheikh Mohammad Bin Rashid Al Maktoum, announced the Dubai Strategic Plan (DSP) 2015, he chronicled an impressive and unprecedented economic performance by the sheikhdom. His Highness noted:

...The Vision 2010 was announced in 2000. By 2005, Dubai had achieved what was planned to be achieved by 2010. In the year 2000, the plan was to increase GNP to US\$30 billion by 2010. In 2005, that figure was exceeded, with GNP reaching US\$37 billion, he said. The plan also included an increase in income per capita to US\$23,000 by the year 2010. In 2005, the average income per capita reached US\$31,000. In other words, we realised, in five years, economic achievements went beyond those which were planned for a 10-year period (Sheikh Mohammed 2007).

In an attempt to put into perspective the level of economic growth that occurred in a decade: Dubai's real economic expansion comparatively outpaced the "...emerging East Asian economies of China and India, and was much higher than developed economies of Ireland, Singapore, and the USA" (Jayashree & Rodriques 2008:3; Ghubash 2009:7). Similarly, Dubai outperformed many of the regional economies; but its GDP figures were substantially below its oil rich sister, the Emirate of Abu Dhabi, as shown below, in Table 9.0.

**Table 9.1: Timeline of Fiscal Years (1998-2008) (In millions of UAE Dirhams)**

Year	1998	2001	2002	2003	2004	2005	2006	2007	2008
Abu Dhabi	94,081	148,439	158,321	191,148	226,170	286,544	359,497	400,047	667
Dubai	45,918	62,335	70,033	81,281	98,923	140,200	168,779	226,513	302
Sharjah	16,803	21,380	24,842	28,795	35,393	35,718	42,837	68,463	

**Compiled Sources: IMF Country Report No. 09/120—Statistical Appendix**

**IMF Country Report No.07/348---- Statistical Appendix**

**Dubai Statistic Centre Yearbook 2005**

The expansion of a country's national output does not occur through mere wishful thinking, nor does it occur in isolation, but is due to a combination of economic and political factors. The macro-economic, geo-economic and political factors fuelling the growth spurt in the city-state include the following:

“...government investment in infrastructure which boosted economic activities, increased private investment, availability of cheap capital and few capital controls, and the availability of relatively cheap labour from neighbouring Arab countries and the Indian sub-continent” (Sherif 2008:168; Dubai Chamber of Commerce 2010: 1).

Furthermore, “...Dubai's growth success story is further driven by visionary leadership, innovative human resources, pro-business and friendly policies” (Ghubash 2009; Pradham 2009:3; Sampler & Eigner 2008). Other variables, based on the researcher's personal observations, include:

- (i) Regional conflicts and quasi-conflicts in Iraq, Afghanistan, Yemen, Saudi Arabia, Pakistan and Iran.
- (ii) Rise in disposable income of the local population, due in part to increased oil prices over the last ten years and the subsequent distribution of resources to the citizens of the city.

(iii) Creation of tax-free clusters of economic zones to enhance the economic diversification of the local economy. Chapters three and seven refer.

(iv) Sound fiscal and monetary management.

It is generally accepted, in modern development discourse, that economic growth is not tantamount to development; a close analysis of GDP figures shown in 9.1 would reveal that there are inequalities in the distribution of income at the household level generally. Within sub-groups of the expatriate community, however, the levels of inequality are excessive. The simple reality is, "...not everyone in the city will have access to the same level income or standard of living" (Willis 2005: 8-9). State capitalism, of the magnitude seen in Dubai, cannot take place without a strong, innovative and competent state; requiring a discussion on the capacity of the Dubai state apparatus.

### **9.3. State capacity**

The developmental model and culture of Dubai is one that engenders a doctrine or philosophy of urgency and pragmatic enunciation as an approach to national development goals. In an era where development policies are influenced and or designed by the Washington Census crusaders,

...state capacity is a necessary condition to make use of opportunities provided by globalization and also to protect and promote the interests of vulnerable groups in societies. The state plays a critical role in alleviating poverty, protecting the environment, promoting human rights, ensuring gender equity and human security (Rondinelli & Cheema 2003: 8).

This realignment of the state away from wholly following the ruling neo-liberal dogma to embracing the *dirgiriste* approach of "*more state and not*

less” in the economy has inevitably strengthened the Dubai state which emerged from a fledging system in the early post-Britannica period into a strong, modern state which demonstrates flexibility and operates in an efficient, effective and capable manner. It is with this in mind, that Anouar Boukhars has commented that in “...the recent years the small emirate of Dubai emerged as the poster city-state for all those theorists and policy-makers who believe that autocracies are best positioned to build up state capacity (the sequential argument) and elevate their countries from underdevelopment and backwardness (developmental state)” (2011: 156).

Afshin Molavo, writing for the *International Newsweek*, states that the state apparatuses in Dubai and elsewhere in the region “...are not sinecures for tea-sipping bureaucrats, they attract top talent” (Molvao 2007). And in so doing, the emirate was able to “...mobilize and allocate resources, and design institutions, to transform the domestic economy and society, in an orderly way, from a status of being underdeveloped to one of being more developed” (Gore 2000:789); in a very short period of time, especially between 1998 up to 2008. The state has displayed enviable: “...even though over-stretched, the ability to meet rising demand for public utilities—including health care, education, access to jobs in the public sector and social welfare” (Ulrichsen 2011:94).

It is the researcher’s observation that a combination of factors have contributed to the building of state capacity in Dubai. Firstly, political stability exists at the federal level and there is a nexus or an intertwining between federal and local institutions. This makes it very difficult for dissenting voices amongst functionaries in the bureaucracy to commit acts of sabotage against the state as a whole. In other words, the nation-building ethos of the state cannot be circumvented by the will of any one individual or group of individuals, given the agglomeration of local and federal institutions that provide technical and human strength to the process.

Secondly, the socio-cultural values of the society strengthen the legitimacy of the state on the basis that successive rulers of Dubai have since 1833 “...held power under the principle of first amongst equals” (Al Rashid 1997:127). Thirdly, in Dubai, “...few challenges exist to undermine the *status quo* in the political environment. There is no organized political opposition, as political parties and pressure groups are not permitted and positions within the government tend to be determined by tribal loyalties and economic power” (Sherif 2008:168). Fourthly, unlike many other countries around the world, state bureaucracy is bolstered by an army of skilled and experienced expatriate managerial cadres that are recruited from the best consultancies, government departments and universities around the world; a distinctly positive attribute of the emirate’s developmental initiatives and strategies.

#### **9.4. Embedded autonomy within the Federal State**

The term “embedded autonomy” was first introduced by Peter Evans in his studies of developing countries. He emphasized “...that markets work only if they are embedded in other forms of social relations” (Evans 1995 cited in Nasra and Dacin 2010: 600). In this section the researcher deviates from Evans’ notion of embedded autonomy, examined elsewhere in the thesis. The formation of the Federal State in 1971, and as envisioned, created a loosely structured supra-state. In this entity, each of the seven emirates retained a degree of limited autonomy (having ceded most of their sovereignty to a larger political project, namely the UAE), as laid out in the provisional constitution that was eventually adopted in 1996.

Dubai is politically, institutionally, legally and economically embedded within the architectural framework or structures of the federation and its supporting operational infrastructure. To conceptually and stylistically echo Evans (1995), the Emirate of Dubai may be described as being in a state of “embedded autonomy” (Evans 1995 cited in Nasra and Dacin 2010: 600). The city-state has been able to maintain this unique institutional

arrangement (Ibid 2010: 600) and is able to use its residual autonomy to pursue a number of time bound, integrated, and comprehensive socio-economic economic development strategies whose “...goals and objectives fall within” (Kay and Gwynne 2000:53) the overall national development agenda. Nasra and Dacin (2010:598) remark that “...as a relatively small emirate, independence for Dubai could have led to isolation from the huge market opportunities that the Arab and Muslim regions represent.”

Dubai does not possess the oil wealth beneath its sandy surface that its sister Emirate, Abu Dhabi does. However, due to the sheikhdom’s embeddedness within the structures of the federation, the city has benefited from the spin-off effects of the revenue generated from the federal budgetary allocation, social development projects in Dubai and the multiplier effects of private sector consumption and investment in the UAE generally.

The Government of Dubai has benefited from the fact that, “through the establishment of free zones, [...] the city has been able to decouple and distance its international economic activities from their national institutional frameworks” (Nasra and Dacin 2010: 600), yet remain still firmly embedded within the super state structure of the federation. This can be viewed a plausible arrangement that is able to provide a win-win outcome for the people of the UAE as whole.

### **9.5. Replicability of the model**

This section addresses the research question as to whether the Dubai Model is replicable in the region or in other regional blocs. Prior to the global financial crisis of 2008/9, Dairabayeva (2010) noted, “...the Dubai Model has been working in Qatar, UAE, Azerbaijan and Kazakhstan — who have seen the merits of the model and have adopted elements of it such as growth through private investment in the research and development (R&D) driven sectors.” Similarly, the model may be found “...in the African ‘micro state’ of Djibouti at the foot of the Red Sea” (Chorin 2010: 19). At times, writers have

waxed lyrical about the model and at other times have been less than complimentary about any attempt to replicate the Dubai Model elsewhere. One such writer, Yasser Elsheshtawy, in an article entitled “Dubai: Behind an Urban Spectacle”, describes “...various more (or less) successful attempts to recreate aspects of the Dubai built environment, in Sudan, Libya, Turkey, Saudi Arabia and Jordan” (Yasser Elsheshtawy 2010 in Chorin 2010:1).

The ‘Dubai Model’ may not be perfect, but the researcher argues that there are merits to it, and in the era of neo-liberalism and unbridled capitalism, it has demonstrated that the state still has a constructive and developmental role to play. Contrary to the theoretical thinking of *neo-contractarianism*, the Dubai State according to Chang (2004:26) has shown that “...the sanctity of” development does not lie totally in the hands of the private sector or the proponents of a “minimalist state” (Ibid: 26). The Dubai hybrid model, of successful *state led development* has created a new political economy, not only in the UAE, but the entire Arab world, which is most notable “...in Abu Dhabi and Qatar” (Peterson 2009: 10). The political economy being created in Dubai is born out of the city’s home grown socio-economic development strategies.

## **9.6. Home grown development strategy**

After the departure of the British from the Trucial States in the Southern Arabian Gulf, and the subsequent formation of the United Arab Emirates (Dubai included), the UAE, in keeping with “...desires of other newly independent nations to acquire not only political but economic independence from their former colonial masters put rapid economic development at the top of the political agenda” (Toye in Chang 2004:20).

Dubai’s three development plans that were designed and implemented between 1996 and 2007 (Chapter seven refers), have not been influenced by international financial institutions which strongly emphasize and advocate macro-economic stabilization and liberalization in their balance of payments

support programmes. In addition “...through their lending activities and political support from the major industrialized countries, the International Monetary Fund (IMF) and the World Bank were able to exercise considerable leverage on the design and implementation of developing countries’ macroeconomic and development policies” (UNCTAD 2006:42). Instead, Dubai developed a home grown cock-tail or hybrid model of development strategies and policies.

For decades, it has been widely discussed and accepted that highly trained human capital forms one of the fundamental pillars of social and economic development. However, the city-state of Dubai has defied such conventional thinking about the human development perspective. An example of this is given by Hvidt (2009:403):

“...while other countries struggle to educate and re-educate their population as they pass through various stages of development, Dubai basically purchases its workforce on the international market to suit current needs: construction workers and domestic servants from the Indian subcontinent; nurses, doctors, and teachers from Egypt, for example; and highly educated persons with qualifications in technical or economic fields from Europe and the United States.”

The example above is just one of the tenets or pillars of a growing list of home grown development socio-economic development strategies pursued by the Government of Dubai.

### **9.7. Social dimension and indicators of Dubai’s development**

In chapters three and five, the term “development” has been defined and contextualized to mean a process that involves people and their non-economic wellbeing and not just the superficial calculation of the per capita income or the real/nominal GDP of a country. Table 9.2 summarizes some

of those fundamentally vital areas which are used as barometers to measure development.

**Table 9.2: Components and Indicators of Socio-Economic Development**

Components	Indicators
<b>Population</b>	<ul style="list-style-type: none"> <li>• Crude birth rate</li> <li>• Crude death rate</li> <li>• Life expectancy at birth</li> <li>• Population density</li> <li>• Crude rates of natural increase</li> </ul>
<b>Education</b>	<ul style="list-style-type: none"> <li>• Illiteracy rate</li> <li>• Percentage of children of school going age who are not at school</li> </ul>
<b>Economic Prosperity</b>	<ul style="list-style-type: none"> <li>• The rate of unemployment</li> <li>• Percentage of households above the poverty line</li> <li>• Poverty rate as measured by the United Nations</li> <li>• Percentage of the population having access to social infrastructure (water, electricity and telecommunications)</li> </ul>
<b>Health</b>	<ul style="list-style-type: none"> <li>• Percent of the population without toilet facilities</li> <li>• Percentage of the population with access to primary and secondary health care</li> <li>• Ratio of doctor to patients</li> </ul>

**Source: Adopted from Evans Chazireni 2003. The Spatial Dimension of Socio-Economic Development in Zimbabwe**

Within the context of the content in Table 9.1, “...there is an awareness in the UAE that the only guarantee of sustained development is the continuous investment in education, health and social services, with the provision of meaningful employment for all” (UAE Yearbook 2009: 205). At the local or emirate level, the “Dubai Strategic Plan (DSP) 2015 also concurs with these sentiments, stressing that strategic success requires social development to complement and parallel economic development” (Ibid:205).

### **9.7.1. Improvement in social welfare**

The standard of social welfare in the UAE is considered as one of the best globally and is looked upon as a basic right of its citizens, which in turn, is considered as stemming from the responsibility of the UAE authorities to improve the societal welfare of all the population (UAE National Bureau of

Statistics 2009: 41). Subsidies and Transfer for the following Emirates listed below:

**Table 9.3: United Arab Emirates: Government Current Expenditures by Economic**

Emirates	2002	2003	2004	2005	2006	2007	2008	
Abu Dhabi	10,778 <sup>2</sup>	6,590	7,272	13,836	23,066	23,748	N/A	
Dubai	888 <sup>1</sup>	1,008	1,207	1,469	2,103	4,906	7,582	
Sharjah	42	45	63	120	134	1535	N/A	

**Compiled Sources: IMF Country Report No. 09/120-- United Arab Emirates:**

**Statistical Appendix (2009),IMF Country Report No. 11/112- United Arab Emirates:**

**Statistical Appendix (2011),IMF Country Report No. 07/348 United Arab Emirates:**

**Statistical Appendix (October 2007).**

<sup>1</sup> Excludes water and electricity, which are settled in an off-budget account

<sup>2</sup> For 2005 it includes AED 6.2 billion that the government of Abu Dhabi contributed to its pension fund.

The illustration of the historical expenditures for three of the seven emirates that are spent on social welfare on an annual basis, over a seven year period, as presented in Table 9.2, provides a snapshot of the nature of rentierism and the extent to which government takes its responsibility seriously. Dubai in particular has spent some AED 20 billion or US\$ 5.438 billion between 2002 and 2008 on social welfare, on a population of less than 2 million people and an even smaller local Emirati population that receives social welfare directly from the states in many different forms, as indicated in chapter seven. Through social welfare expenditures the Government of Dubai has been able to ensure that the poor and most vulnerable in the society are provided with a safety net to ensure social and economic dignity and survival.

### **9.7.2. Progress made in healthcare provision**

The UAE has seen notable growth in its health care system. Over the past years government health strategies have focused on the welfare of the citizens who are considered to be the country's major resource and are

integral to national development. Comprehensive health programmes have been adopted to meet the needs of the UAE society (Jalal 2011) and the Emirati population is provided with free healthcare at government owned facilities, though in some cases a small user fee has to be paid. (Chapter seven refers). This is not the case in the expatriate community however, where such residents are required to pay the full economic costs of healthcare either through medical insurance and or by cash payment. In terms of Dubai's basic vital statistics with regard to health it is comparable to any of the countries who identify themselves as developed countries. Table 9.3 below depicts Dubai's Health Basic Vital Statistics Indicators

**Table 9.4: Dubai's Health Basic Vital Statistics Indicators**

Year	99	00	01	02	03	04	05	06	07
CBR <sup>1</sup>	18.3	19.0	18.4	18.4	18.3	15.5	14.1	12.4	14.1
IMR <sup>2</sup>	8.1	6.8	8.1	7.1	7.3	7.0	7.9	9.0	8.0

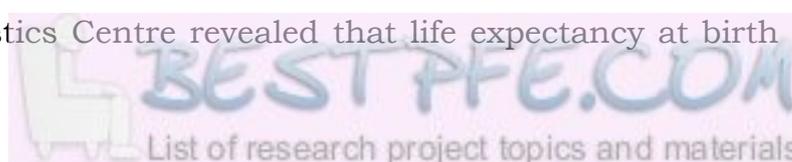
**Combined Sources: Dubai Statistics Centre Reports: 2002, 2003, 2004, 2007 and 2008**

<sup>1</sup>Crude Birth Rate per one thousand

<sup>2</sup>Infant Mortality Rate per 1000 live births

In the Emirate of Dubai the quality of the healthcare infrastructure and its low doctor-to-patient ratio has contributed significantly to an internationally accepted infant mortality rate per thousand. The rate of IMR between 1999 and 2007 averages 6.9 deaths per thousand live births. This figure is comparable to that of the USA, which according to the World Bank (2012), reports an average "...infant mortality rate of 7 per 1000 live births between 1998 and 2002 and a similar figure between 2003 and 2007." An analysis of the World Bank's infant mortality rate on a country by country basis shows that Dubai has a lower infant mortality rate than its regional neighbours Kuwait, Oman, Saudi Arabia and the Republic of Yemen.

Other vital socio-demographical statistics on the city of Dubai as reported by the Dubai Statistics Centre revealed that life expectancy at birth by gender



in 2007 was 75.8 for males and 75.7 for females (DSC 2007). Other social development indicators include the following:

- For the years 2005, 2006 and 2007, Dubai boasted the enviable record of 100% of all households in the city having access to potable water.
- In 2005, 2006, 2007, in the city of Dubai, 100% of all households benefited from access to electricity.
- For the years 2005, 2006 and 2007, Dubai boasted the enviable record of 100% of all households in the city having access to sanitation facilities (DSC 2007).

Dubai is an example of what rapid “...economic growth, unprecedented scientific advances” (WHO 1999:7) in healthcare and investment in healthcare infrastructure can accomplish. The overall health system performance of the UAE (including Dubai) “...was ranked 27<sup>th</sup> in the world by the World Health Organization” in its 2000 report. Advances in the education system in Dubai have been equally impressive, due mainly to the growing number of private educational institutions to be found across the city, as addressed in the following section.

### **9.7.3. Improvement in human capital**

In acknowledging that a functional and well resourced education system, coupled with the equivalent human capital, is fundamental, “...the Federal Government of the United Arab Emirates has pursued educational excellence for its citizens through the provision of free education for all nationals from KG- Grade12 to University” (Goodwin 2006:1).

**Table 9.5: Dubai's Education Basic Vital Statistics**

	2008	2007	2006	2005
%age of illiteracy to population		4.7	5.0	5.4
Illiteracy rate (15 yrs & above)	4.5	5.4	5.8	6.1
Literacy rate	95.5	94.6	94.2	93.9
Net employment ratio in primary education		81.0	80.5	81.3
% of male students		52.0	51.8	51.8
% of female students		48.0	48.2	48.82

**Combined Sources: Dubai Statistics Centre Yearbooks 2007 and 2009**

Table 9.5 above provides concrete evidence of the exponential strides that the Government of Dubai has made in providing universal education to all its citizens and, by extension, using education at all levels of the system to achieve social advancement. From the statistics in the abovementioned table, it may be observed that women, who were previously disadvantaged in this part of the world, have made tremendous strides educationally, through the sustained efforts of the state. No longer are women the face of illiteracy in the UAE where they are now just as literate as men, according to the Statistical Centre Reports of 2007 and 2009. The literacy rate in Dubai for a developing country is indeed very high and is steadily improving. The next section of this chapter will explore some of the demerits and the vulnerable underbelly of the city-state.

### **9.8. Criticism of the model**

The study of development as an academic discipline and *Encountering Development*, as articulated by Escobar (1994), reveals that there is no single road to development; nor is there any utopian development paradigm because, if that were the case, there would not be so many theoretical constructs, each seeking to displace its predecessor as the best development

approach since the ascendancy of development economics within mainstream economics.

### **9.8.1. Embedded rentierism**

The socio-economic development model of the oil rich sheikhdoms of the GCC, including the UAE, as has been emphasised, is built around political patronage or rentierism. The genealogical discourse on rentierism in the Gulf States (including the UAE) gained traction as outlined in Section 6.2.1 from the writings of Hossain Mahadavy (1970), Beblawi and Luciani (1987) and Luciani (1990). Further insight is provided by Davidson who notes:

[...] Dubai's rentier structures continue to tie the hand of the government to the burdensome distributive practices and breed a certain unproductive mentality among the indigenous or local population. High oil revenue allows the state to set up a system of distributed wealth in which all members of the national population, even the recently urbanized Bedouin, were provided with jobs, housing, education and welfare (Davidson 2008:177-178).

To contextualize Davidson and other scholars of the Middle East: the rentier nature of Dubai's political economic has created an unhealthy dependence on the state to provide opportunities for its citizens. The rentier and social welfare, nature of the city-state acts as an inhibitor of the productive application of the local population's human capital. In addition, in this post-oil era, with limited sources of state revenue, the government of Dubai has had to start extracting rent from non-Emirati residents in the city, manifesting in the form of employment and/or commercial sponsorship. The machinations of this system, in short, require that every foreigner working in Dubai has to be sponsored by a company (employer) and every commercial entity that has set up operations in Dubai (outside of a free zone) has to be sponsored by another, an Emirati citizen, or company, and which by Federal Law No.8 of 1984 owns 51% of the ex-pat's company.

This rent-extracting arrangement holds serious implications for state-society relations, as well as for the ultimate support of the legitimacy of the state. In essence, the continued constitutional arrangement that guarantees its citizens generous social welfare forms the basis of the city's rentier political economy that could stymie further economic development if rentier tendencies in the city continue to sabotage the human resources development architecture.

### **9.8.2. Heavy reliance on expatriate labour**

Chapter seven highlighted the Dubai Strategic Plans (DSPs) in terms of their social and macroeconomic strategic objectives. The developmental goals of the three developmental models discussed in the previous chapter have fundamentally changed the structural architecture of the economy and social nostrum of Dubai. The economy of Dubai, which is similar to that of the UAE as a whole, has been thus described: it "...is a transitional economy that is in an advanced process of diversifying away from hydrocarbon-based to non-hydrocarbon-based economic growth" (Al Awad 2010:11).

Hence, at a macro level, the Government of Dubai, purely out of socio-economic and political necessity, has pursued a hybrid model for a state centric capitalism agenda that has inadvertently ushered in a new development paradigm in the Middle East, to the extent that:

“...since the early 1990s, Dubai has been engaged in a process of economic expansion and diversification driven by the knowledge that oil production, having peaked at 410,000 barrels per day in 1991, is in decline and now accounts for less than 10% of GDP” (Pacione 2005: 257).

Pacione, (2005:255) and Alzaabi ( 2012:iv), have noted that “...the economic transformation of Dubai over recent decades has been accompanied by major changes in relation to its demographic structure and social

transformation which have been fuelled by economic expansion based on the oil industry that created a demand for labour and expertise that could only be satisfied from abroad". The demand for foreign labour has not abated; instead, it was exacerbated between 1996 and 2008, just before the global financial crisis temporarily dampened the appetite for foreign labour, largely due to the implementation of all the developmental objectives, as outlined in chapter seven.

For Sholkamy (2012:96) the *raison d'être* for the unending demographic shift in the structure of the Dubai population, is that noted by Kanna, in a piece of scholarly work entitled Flexible Citizenship in Dubai: Neoliberal Subjectivity in the Emerging "City-Corporation": the fact that "Dubai's citizen population is too miniscule to be productive on a national scale"; this, coupled with the "...generous welfare and rentier structure of the economy enables citizens to work in well paying public sector jobs with short hours, leaving the private sector staffed by a foreign labour force" (Kanna 2010:103-104).

A second compounding reason for what Davidson (2005) regarded as heavy reliance on foreigners is that, "...compared to UAE nationals, the high economic rent associated with foreign workers and their ability to tolerate relatively poor working conditions and to work long hours have blown up the reliance on them until they dominated the private sector with more than 98% of overall labourers and when combined with the public sector it amounts to over 90% of the national workforce [sic]" (Al Awad 2010:11, UAE Yearbook 2009: 212).

Here, Al Awad is implicitly referring to the massive army of unskilled and semi-skilled workers who are important constituents in this transitional economy. However, there is also, at the summit of "...the social stratum, a network of..." (Moore 2001:52) what Morten Bøås and Desmond McNeill (2004) along with Robert Cox (1987) call the [...] "transnational managerial class", in conjunction with what Leslie Sklair describes as the "globalizing

bureaucrats” (2001). To further compound the problem, at the meso or micro level, from personal observation, Emiratis in Dubai consider certain tasks as too menial to do, irrespective of their own socio-economic status in the society. They suffer from what is known as the “*mudīr syndrome*”, referred to in Section 8.8.1.

Dubai, along with countries such as the Seychelles, Singapore and Hong Kong, “...sits astride an uncomfortable dilemma in terms of its national development policy as the massive presence of foreign workers has contributed greatly to the development process in the UAE” (Kirk 2010:1; Alzaabi 2012: iv, 23). But, in a paradoxical twist of fate, the Emirate’s policy of high dependence on foreign labour comes with a price in terms of the social costs to its society. Al Awad’s (2010:11) perspective on this matter is that:

....the cheap cost to private sector companies may not be true for the society. The large presence of foreign workers (foreign population) demands amplification of the services provided by the government, including security and other measures, and they may threaten the national identity of the country.

A development strategy that relies on the predominant use of guest workers in Dubai has socio-political consequences because, collectively, the foreign labour force has “...become a revolutionary force on which the nation’s government rests for its prosperity” (Alzaabi 2012:23).

This author adds:

... The legal rights and privileges of expatriates in the UAE have, over time, exceeded those of UAE nationals. As this occurs, it becomes apparent that the host nationals (and their voices) are marginalized. This notion, in and of itself, threatens the stability of nation by the loss of its own identity (Ibid: 23).

In addition, Al Awad (2010:4,5, 6 and 23) noted, “ ...there are social costs to be borne by local and federal governments and society for the employment of workers which includes the use of infrastructure and public facilities, they add to the cost of maintaining security, they consume some of the subsidies on petrol, electricity, health, education, public transportation and water.”

As is further noted by Al Awad, this,

“...social cost makes around 21% of overall annual cost of labor in general in the UAE including Dubai. However, it can be argued that the overall social cost is under-estimated since only items that can be valued in money terms are included in the calculations. Other items such as the impact on culture and national identity, and on the causation of unemployment among UAE nationals, as a result of competition from relatively cheaper labor, are extremely hard to monetize, but are equally as important as other included items” (Al Awad 2010:6).

Not included in Al Awad’s analysis are the billions of US dollars that move out of the country every year in the form of remittances to what are known as “labour sending countries”. It is estimated that on average, USD 12.5 billion is repatriated from the UEA annually, which represents a substantial leakage from the local economy that could have been used for consumption of goods and services or for other economic activities that would ultimately further boost growth and development of the city. Similarly, the environmental damage has not been quantified and or explained as a social cost to the society. A compressed explanation of the environmental degradation is provided below.

### **9.8.3. Unsustainable environmental model**

It is believed that “...the destruction and displacement of flora and fauna during development is a major cause of biodiversity loss and habitat fragmentation” (Gardener & Howarth 2009:30) in any society; the situation in Dubai is similar to that of other countries which have experienced the

gravity of massive urbanization that has occurred in the city over the decade prior to the global financial meltdown. *The New York Times*, on October 27 2010, published an article entitled “Dubai faces environmental problems after growth” in which the author wrote,

“...Like a Middle Eastern version of Las Vegas, Dubai’s biggest challenge is water, which may be everywhere in the Gulf but is undrinkable without desalination plants. These produce emissions of carbon dioxide that have helped give Dubai and the other United Arab Emirates one of the world’s largest carbon footprints. They also generate enormous amounts of heated sludge, which is pumped back into the sea” (Alderman in *The New York Times*, October 27, 2010).

Environmental issues have gained the attention of UAE policymakers, but remain subsidiary to the imperative of economic development. According to the World Wildlife Fund’s 2010 Living Planet Report, the UAE also continues to have the world’s biggest per capita “ecological footprint” which may be described as the amount of land and water area needed to produce the resources a population consumes, and to absorb its CO<sub>2</sub> emissions (BTI 2012: 19). Of relevance here is, Section 3.2.6 of this thesis where Elgendy (2012), is quoted when he points out that,

“...Throughout, [sic] the last three decades, the city of Dubai has not been known for its emphasis on sustainability as guiding principles for its development. Not only did it adopt an unnatural rate of growth by Middle Eastern and global standards, it has also long disregarded the environmental and social consequences of its rapid urbanization. Dubai’s growth relied on - and was economically fuelled by - a development model which imported inappropriate and inefficient building forms and planted them in its extreme climate.”

For, example, “...a 1,500 square miles city (3,885 square kilometres) with isolated island buildings that are not only divorced from their environments, but which also require a great amount of fossil fuel energy to remain habitable” (Elgendy 2010). Similarly, McEachern et al. (2006) noted that

“...Dubai is producing large quantities of waste products from hotels, airlines, and other types of business activities coupled with a waste management programme that is poorly managed,” which has become a major concern for environmental activists.”

A former senior manager for a construction company commented, that “...ecological concerns were always expressed by certain sections of the population (Interview 21). The biggest concerns according to the respondent “...were over the reclaiming of the sea to build the palm and world islands” (Interview 22) He noted that the “ecology is very fragile and that environmental damage to coral reefs and fishery would have long-term implications for the environment” (Interview 22). In other words, one attendant problem of sustained economic growth is the manifestation of environmental social costs.

Renowned geographer, Michael Pacione, in an insightful article on the urban development of Dubai feels that “...the emirate’s housing policy has several consequences for the physical development of Dubai – as plots of land are provided to individuals rather than to households, the total amount of land required for nationals’ housing is increased” (Pacione 2005:261). This policy lends itself to possible misuse of land in a city where the shortage of land is becoming a constraint in the busy conurbation (Henderson 2006:95) of the city.

The macro-economic targets that undergird Dubai’s SDP and the objectives of the city’s Urban Strategic Plan unequivocally illustrate the Government of Dubai’s commitment to economic growth (especially via tourism programmes); however, the state “...appears to have overlooked less desirable ramifications or social costs that emanate from increased tourists [sic] arrivals and other economic activities on coastal and desert areas” (Al-Mehairi, 1995; EIU, 2005b cited in Henderson 2006: 95). Across the city, residents and ecologists have been most vociferous about the fact that “...road traffic has increased with private car ownership, resulting in

congestion and atmospheric pollution” (Ibid: 95). From personal, non-participatory observation, the researcher has noted that the pristine ecological balance of what is left of the Dubai desert landscape is rapidly being destroyed by the commercial activities in the form of organized sand dune bashing by one of the many Safari Adventure companies in caravans of 4x4 vehicles.

#### **9.8.4. Lack of citizenship**

The concept of citizenship revolves around a number of political, economic, social and cultural rights and the civil freedoms acquired by individuals through their membership of a certain society on the basis of equality with others (Al Kitbi 2009:63). More specifically,

“...Among UAE nationals, the nation-state is accepted as highly legitimate. There is also broad agreement as to the concept of citizenship and who has the right to be a UAE citizen. In principle, citizenship is available to foreigners who have lived in the UAE for a minimum of 20-25 years, although cases exist where citizenship has been granted by the rulers on an individual basis” (BTI 2012:5).

It is however important to point out that the above is the exception and not the rule.

In Chapter eight, the contribution of the expatriate community to national development is documented; however, there are thousands of Europeans, east Africans, Americans and predominantly south Asians who have lived in Dubai from the time when it was a Trucial state under the British, yet have not been awarded citizenship or permanent residency status. These residents still have to be sponsored by an Emirati citizen if they work outside one of the many free zones that have been formed in recent years. As noted, there is a different regulatory framework that governs the ownership structure of an incorporated entity and by extension the

sponsorship of employees in these economic zones. Estimates “...suggest that there are between 20,000 and 100,000 residents in the country who lack citizenship, including people mainly of Iranian or Asian origin who have lived in the UAE for longer than three decades” (BTI 2012:11).

The Federal State has jurisdiction over matters of nationality and naturalization and all constituent Emirates abide by Federal Laws. With this in mind, Federal Law No.17, concerning Nationality and Passports, that was issued on 18/11/1972 and later amended by Federal Law no. 10/1975 dated 15/11/1975, specifically *Article 2 C and D* of the legislation, define a person who cannot be a citizen as follows:

(2.C) Anyone born in the country or abroad, to a mother who is a citizen by law, whose fatherhood is not substantiated.

(2.D) Anyone born in the country or abroad to a mother who is a citizen by law; whose father is unknown or without nationality.

Legally, these two clauses, according to Al Kitbi (2009:74), “...adopt a discriminatory policy posture against Emirati women that limits the exercise of citizenship rights by depriving them of the ability to pass on their nationality to their children born to a foreign father or a father of an unknown nationality.”

The UAE is not bereft of innovative ideas and thus uses “...a variety of methods to limit the residency and citizenship rights of foreign workers. Such methods include sponsorship systems in which workers are tied to a particular employer, rotational systems of migrant labor to limit the duration of foreigners’ stay, and also limits on the ability of migrant workers to bring their families with them, and curbs on naturalization rights” (Misra 2007:3). For example only employees who earn a minimum salary of AED4000 (US\$1100) on a monthly basis are permitted to sponsor their family to live with them in Dubai or the UAE generally.

Given that a non-Emirati resident in Dubai cannot become a citizen as a matter of policy (unless a woman marries an Emirati man and is allowed to become a citizen after ten years of continuous marriage), this does not bode well for the developmental sustainability of the city-state. Its status of being a net importer of labour will continue to prevail if the law is not changed in the interest of sustainable development and good public policy. This single piece of legislation goes a considerable distance in hindering the country's development path.

#### **9.8.5. Abuse of migrant labour**

Beneath the untrammelled prosperity of the United Arab Emirates (UAE) and the city state of Dubai in particular lies the plight of an exploited migrant workforce (Tock 2010: 109). In observance of the 150<sup>th</sup> staging of International Labour Day, the Minister of Labour, Saqr Gobash Saeed Gobash of the UAE, in a speech to commemorate the day, declared that "...the UAE (including Dubai) see workers as an important stakeholder in the growth of the country as well as development stakeholders" (Salama 2009). The constitution expressly provides that, "...foreigners present in the UAE are entitled to the rights and freedoms and are subject to the correlative duties provided for under the respective international instruments or under conventions and treaties to which the UAE is a party" (<http://www.uaeim.ae/labour-market>). Contrary to legal provisions, Tock (2010) and Hunt (2012) submit that "...international human rights law is neglected and, indeed, violated, in an unrelenting pursuit of economic growth and embodies capitalism's worst excesses, where the luxurious lifestyle of the rich depends upon the quasi-slavery of millions of migrant workers" in Dubai and the UAE generally.

*The Human Rights Watch Report* (2006), noted that "...the UAE federal labor law of 1980 makes provisions that apply to both UAE nationals and migrant workers. But the federal government of the UAE has abdicated almost entirely from its responsibility to protect workers' rights by investigating,

prosecuting and remedying abusive and unlawful conduct by employers towards the construction workers. It has failed to enforce UAE law that since 1980 has required the government to implement a minimum wage.”

In “Dubai, together with its Emirate neighbours, has achieved ‘the state of the art’ as it relates the disenfranchisement of labour. In a country that only abolished slavery in 1963, trade unions, most strikes and all agitators are illegal, while 99 percent of the private-sector workforce is immediately deportable non-citizens. Indeed, the deep thinkers at the American Enterprise and Cato Institutes must salivate when they contemplate the system of classes and entitlements in Dubai” (Davis 2006:64).

Anecdotal stories, non-participant observations and informal interviews with migrant or guest workers across different communities reveal shocking and unparalleled abuses. Similarly, Keane and McGeehan (2008) and Hunt (2012) have noted, below:

“...Stories of passports confiscation, withheld wages and squalid living conditions. Workers building the Burj Khalifa – the towering icon of Dubai’s ambition – on wages of just £2.84 a day, rioted in 2006, attracting international coverage. The UAE’s exploitation of the relative economic weakness of its South Asian neighbours has led to a situation that can be characterised as bonded labour of migrant workers, a form of slavery as defined under international law.”

Dubai, like its neighbours, flouts ILO labour regulations and refuses to adopt the international Migrant Workers Convention. In 2003, Human Rights Watch accused the Emirates of building prosperity on “forced labour” (Davis 2010). Meo writing for the *The Independent* (March 01, 2005) previously emphasized, “...the labour market closely resembles the old indentured labour system brought to Dubai by its former colonial master, the British.” “...Like their impoverished forefathers”, the London paper continued, “today’s Asian workers are forced to sign themselves into virtual slavery for years when they arrive in the United Arab Emirates. [...] newly

arrived guest workers' rights disappear at the airport where recruitment agents confiscate their passports and visas to control them" (Meo 2005, March 01). Meo also highlighted that, "...the resemblances between the indentured labour system and the system of slavery that accompanied Britain's nineteenth century imperial adventures in the sheikhdoms are palpable" (Meo 2005 cited in Tock 2010:117). The text box below provides a specific case of labour rights violations and abuses.

**Text Box 1.**

El-Mectawel LLC is a Dubai Incorporated business that has offers a number of services such as Real Estate, Government Typing and Translation Services, Building Maintenance and Catering Services. In one of the buildings under its management, there are nineteen employees from the following countries: Bangladesh, Pakistan, India, and Cameroon. The employees work virtually seven days a week: this is in violation of the UAE labour law. The Cameroonian, a qualified air conditioning technician, is paid AED 2200 (US\$651.27) per month; the Indian cleaner/watchman receives a salary of AED 1200 (US\$326.264) on a monthly basis. The Bangladeshi maintenance staff get AED 1000 (US\$271.89): The Pakistani company driver earns AED2500 (US\$679.71). They all receive the aforementioned monthly salaries if there are no fines due to them not answering their phones on their day off, and or if they are caught smoking close to their place of work.

The Cameroonian shares a dog kennel-sized room provided by the company as part of its compensation, with two other workers. In the room there is only enough room for a bunk bed and a single bed. The semblance of a shared kitchen is a space shared with two giant garbage skips. A toilet and shower facility is provided that is fit only for animal usage, not human beings. The workers do not have a place to wash their clothes or to hang them. They are given a return ticket once every two years even though they are eligible for annual leave every year.

**Source: Personal observation and interview (Interview 20, 2012).**

In an interview that the researcher conducted in May 2009 with a Nepali security guard at one of Dubai's International Schools (who was also the

translator for six other security guards) he revealed similar labour rights abuses to aforementioned by their employer.

The respondent stated that:

“...he and his almost two hundred colleagues were paid a basic Dhs 740 or USD 202 per month while with overtime their monthly take home pay amounts to Dhs 1300 or USD 354. They work 30 days a month on twelve hour shifts; they are given [an] annual vacation every two years. The accommodation of these security guards is in the neighbouring Emirate Ajman, which takes them 2 hours in the morning to reach their postings while a return trip could take a minimum of two hours, depending on how freely the traffic is flowing. There are twelve grown men sharing one kitchen, one bathroom and six of them sleep in a very small room” (Interview 2-8, 2009).

Ironically, all of the abovementioned working conditions described by the interviewees are in violation of the UAE’s 1980 Labour Law. However, the state has toed a careful line in enforcing its own labour regulations in protecting the rights accorded to the expatriate workforce under the law. A partial explanation comes against the background that an employee is free to find an alternative form of employment if he/she is not happy with the terms and conditions of their employment or contracts.

The Ethiopian Consulate General officials complain bitterly about the inhumane treatment meted out to this country’s citizens who work as domestic workers in the homes of Arab nationals. One official showed third degree burns all over the bodies of ladies as he tried to drum up support for his fund raising effort to raise enough money to repatriate at least two ladies per month back to Ethiopia. This is not unique to the Ethiopian Consulate General, as the Philippines, and Sri Lankan Consulates in Dubai face similar experiences and challenges.

It is against this background that Abdul-Ahad of the UK *Guardian* writes:

“...behind the dizzying construction boom is an army of migrant labourers lured into a life of squalor and exploitation. All around, a city of labour camps stretches out in the middle of the Arabian desert, a jumble of low, concrete barracks, corrugated iron, chicken-mesh walls, barbed wire, scrap metal, empty paint cans, rusted machinery and thousands of men with tired and gloomy faces” (Abdul-Ahad, *Guardian*, October 8, 2008.).

Another reporter from the UK based newspaper *The Independent*, reported that:

“... In plain view very evening, the hundreds of thousands of young men who build Dubai were bused from their sites to a vast concrete wasteland an hour out of town, where they are quarantined away. Until a few years ago they were shuttled back and forth on cattle trucks, but the expats complained this was unsightly, so now they are shunted on small metal buses that function like greenhouses in the desert heat. They sweat like sponges being slowly wrung out. In one location called Sonapur which was a rubble-strewn patchwork of miles and miles of identical concrete buildings, some 300,000 men live piled up here, in a place whose name in Hindi means "City of Gold". In the first camp I stop at – riven with the smell of sewage and sweat – the men huddle around, eager to tell someone, anyone, what was is happening to them” (see Appendix VI) (Hari, *The Independent*, April 7, 2009).

It is generally known in Dubai that the Department of Labour, on the surface, advocates for the protection of the rights of the city’s guest workers accorded to them under the 1980 labour law. However, on the ground, the reality is fundamentally different. It is not surprising that the critics of Dubai’s state-centric development write that, “...the libertarians would argue that those who had overlooked the authoritarian side of its successes would not be able to respond to the charges that crony capitalism and workers’ oppression went hand in hand” (Moore 2001:46). This observation by Moore

correlates positively with, and is a manifestation of, a typical developmental state, whose governments face a moral and legal dilemma. At the macro level the state pits its developmental objectives against the individual aspirations of its citizens.

It is unavoidable for one to harbour the feeling that human rights abuses make for good business, and that what is deemed good for business has to be good for Dubai Incorporated; thus the authorities are hamstrung in acting more decisively to deal with the widespread violations of workers' civil liberties and human rights. Like good bedfellows, human rights abuses appear to be inseparably linked to discriminatory practices.

#### **9.8.6. Institutionalized discrimination**

Despite recent progress against racial inequalities (Emerson & Yancey 2010), the issue of racial discrimination still exists in many parts of the world, including Dubai. To state this more pointedly, racism is institutionalized in the UAE and Dubai in particular. Dr Naeem Zumfuli, a professor at Sharjah University specialising in human resources, agrees when he notes that:

“... racial discrimination in pay was "a big problem" in the UAE. There is a lot of discrimination according to nationality and religion in the labour market, which affects the contribution of those who suffer from it. They feel dissatisfied and this reflects in their work and affects the lives of sometimes large families in the UAE and abroad.” (Zumfuli 2009 cited in Stafford, 2009).

The Office of the United Nations High Commissioner for Human Rights goes further by noting that “...racism and other forms of discrimination are not only human rights violations but also major obstacles to achieving development” (OHCHR May 2007). If the systemic racism and discrimination, which are so deeply embedded within the private and public sectors in Dubai, are not surgically removed, then the ramifications on the

society will be too costly to be quantified. Discrimination in Dubai manifests itself in a number of ways. The text box below itemises ways in which expatriates are discriminated against in Dubai and the GCC generally.

**Textbox: 2**

**Discriminatory Employment Practice—Advertisements in the Daily Gulf News Publication**

**December 1998: Advert # 1**

Operations Manager needed with a civil engineer degree. The candidate must be SA/UK/US or Australia educated.

**December 1999: Advert # 2**

Sales Executive needed for international sports company preferred candidate should be UK/US/Australia educated.

**May 2008: Advert # 3**

One of the most successful global pharmaceutical organizations is seeking a polished personal assistant (PA) to the Managing Director. Preferred candidate should be UK/US/SAF/Aus or western educated.

(See Appendix V for others)

**Sources: Compiled from a number of Gulf News daily publications**

It is common to find these types of advertisements in the local newspapers daily. From personal experience, formal and informal interviews conducted with a number of teachers, and other professional groups in the city, there seems to be a hierarchy that determines who is recruited for executive and managerial positions in both the private and public sectors. Americans, British, Canadians, Australians, New Zealanders, South Africans and other Europeans form the top of the pecking order. Asians, followed by Africans, are at the bottom of the pecking order. Ironically even within the Asian community there is systemic racism: Indians are the kingpins, followed by the Pakistanis, then the Sri Lankans, while at the bottom of the ladder are the Nepalese for certain types of jobs: banking, accountancy, construction, gardening, security guards and petrol attendants. In the retail and hospitality industries, Filipinos are preferred for their fine physical features

and courteous old fashioned manners. Table 9.6 gives an indication of the ethnic hierarchy that is constitutive of Dubai’s labour market for domestic workers.

**Table 9.6: Salary Structure: For household workers**

Nationality	Monthly Salary AED (USD)	
Sri Lankan	900 (244.23 )	As per the Sri Lankan embassy
Philippino	1400 (380.12)	As per the Philippines’ Consulate
Indian	1100 (298.66)	As advised by the Indian Embassy
Nepali	900 (244.23)	As advised by the Nepali Consulate
Ethiopian	800 (217.21)	As per Ethiopian Consulate General

**Source: Kapur (2012) and Kader (2012)**

It is generally acknowledged in Dubai that migrant workers are paid based on which passport they hold. However, being an Indian with an American passport does not automatically promote one to the top of the employment hierarchy. In an interview with a senior medical engineer, he pointed out firmly that “...an Indian will never be paid the market rate based on his qualification and experience, in Dubai, even if he has an American or British passport” (Interview 21, 2013). This applies to Africans and other Asians unless a particular individual possesses a rare skill that a company is unable to fill in the short run. From personal experience in Dubai where the researcher has been a part of the expatriate community and by extension, the labour force, he has had the undignified experience of being overlooked for promotion primarily on the basis of the colour of his skin. He has also been offered less attractive employment packages at some of the city’s top academic institutions for doing the same work as his European, Australian and Canadian colleagues with lower qualifications and less experience than himself. Paradoxically, he has also been paid more than his Asian colleagues with similar experience and qualifications.

In Dubai the colour of one’s skin determines which doors are opened to one. Like other regional economies, and those of the former Asian tigers, the

exponential growth and diversification of the economy that made it a hub for finance, aviation, tourism, logistics and trade exacted a price in terms of human suffering and the stripping away of individuals' dignity, especially those at the lower end of the socio-economic ladder. In human capital theory, this is regarded as *taste based discrimination*, and companies are willing to pay a high economic cost to Europeans and their descendants from the so-called civilized world. Pepe Escobar (2008, June 7) summarizes this most appropriately in stating that Dubai (is) "...the ultimate socio-political model for the 21<sup>st</sup> century: a Blade Runner which is a melting pot of neo-liberalism and subterranean economy fuelled by an army of disposable, imported cheap labour." Dubai displaying characteristics of a developing economy that is on the "global-periphery" (Kay & Gwynne 2000:57) however the city:

Has been able to be the centre of trade, tourism, finance and aviation and by extension the quintessential representation of a new centre- periphery labour market model in terms of stratified and systemic taste based discrimination against guest workers from the so-called LDCs.

Dubai, unlike any other society, has developed the reputation, through its home grown transnational corporations, of importing so-called guest workers and then creating an artificial racial stratification system. In so doing it has created a new Marxian type class struggle between the owners of capital and the vast army of the underclass that comprises the city's mobile and transient workforce.

#### **9.8.7. Domination by MNCs and external economies**

The economic structure of GCC states and Dubai in particular displays an unhealthy "...domination by multinationals that has led to over-dependence on foreign technology" (Davidson 2005:120). The Arab world, and Dubai specifically, imports virtually all of its industrial and other means of production and as such (Ibid:120) it is becoming "... increasingly

apparent that many of the new sectors, especially those geared towards attracting foreign investment are making Dubai even more reliant on foreign economies than it was during the oil booms” (Davidson 2008:177).

The unrelenting emphasis on the diversification of Dubai’s economy away from the diminishing dependence on hydro-carbon creates a socio-economic and political dilemma for the Emirate, which is to embrace the orthodoxy of the benefits that accompany MNCs while hoping to mitigate the “pernicious consequences” (Driscoll & Clark 2003:75) in the form of social costs to the society as a whole that may emanate from the operations in the city-state.

A second, but equally important point was made by, a senior corporate and investment banking lawyer in the city who explained to me that “....an over-dependence on foreign companies by the Government of Dubai is risky in the sense that if the state were to introduce new economic policies that represent a significant departure from a prior policy path, it may culminate in the relocation of some companies to other jurisdictions” (Interview19, 2012). The respondent further noted that, “...if corporate and income taxes were to be implemented in Dubai, then the city may experience serious economic fallout as businesses seek to domicile in countries with policies that are amenable to the overall strategic objective” (Interview 19, 2012).

The replicability of the Dubai Inc., development model in Eurasia, Africa and the wider GCC states further demonstrates the socio-political and economic risks based on a policy of overdependence on MNCs as businesses do not owe their loyalty to any nation state, but instead only to their shareholders. In his trademark lively style, Moore (2000), mooted that “... outside its national borders the capitalists will search the seas for cheaper or better sources of raw materials and labour and also be in search of a higher rate of return on their non-productive portfolio investment.” Essentially, MNCs will go where the return on capital is highest.

Dubai is classified as a developing economy in spite of its internationally comparable GDP, GDP per capita, and social indicators; thus, as it has been emphasised several times, the city falls on the periphery of the international financial and capitalist system. Consequently, SOHCs of Dubai have parasitically aligned themselves to individuals, international capital and money markets stemming from what dependency theorists regard as “centre” economies in terms of the global capitalistic system, for the sole purpose of capital extraction and accumulation. Driscoll and Clark (2003:76) caution against such over-reliance on FDIs from MNCs as they have expressed the view that “...western MNCs are not interested in development at all, only in making bigger profits by ensuring that the poor stay poor.” In the words of Todaro (2000:587-590), “...MNCs, like portfolio investors, are not in the development business and just maybe there can be a congruence of interest between the profit making objectives of MNCs and the development priorities of MNCs and the development priorities of the host country.”

The neoliberal approach to development and modernity in Dubai exposes the city to external shocks and systemic vulnerability that could lead to the deconstruction of the emirate’s state-centric interventionist developmental project. The global financial crisis of 2008 highlighted Dubai’s economic vulnerability to its over-dependence on “...external financing that leaves it prone to volatile cycles and invariably this is one of the side effects of rapid economic growth” (*Economist* 2012, April 7) built around an “...FDI-Growth Model” (Kerbl 2004: i). The over-dependency on foreign capital is noticeable when visiting some of the multi-sector free economic zones such as Dubai Internet City, Dubai Investment Park, Dubai Multi Commodities Centre (DMCC), Silicon Oasis etcetera.

Such heavy reliance on portfolio investments or external economies is a risky strategy for any economy that is demographically dominated by foreigners. Coupled unfortunately with an indigenous private sector that is still very much dependent on a patron-client relationship with the state and

is quantitatively too small to achieve the ambitious macro-economic targets set out in DSP 2015, it invariably and unavoidably opens up the domestic economy to the machinations and efficacy of the international financial system. The risk of such a policy is not lost on His Highness Sheikh Mohammed Bin Rashid Al-Maktoum, who commented, whilst addressing the MENA Frontier Conference in Dubai, that "... the repercussions of the crisis is [sic] felt more severely by economies that are open and interactive with international markets." (*Gulf News*, November 9, 2010). The global financial crisis referred to by His Highness impacted negatively on Dubai's state-led debt-driven commercial and development activities, explained below.

#### **9.8.8. Debt leveraging**

Some observers have held the view that "...Dubai is a sort of financial mirage or sub-prime in the desert" (O'Grady 2009 cited in Bornstein-Botz 2012:4), creating an "...artificial economy dependent on borrowed capital" (Ibid: 4). This scenario is not unique to Dubai, as thorough analysis of the structural adjustment programmes (SAPs) that were imposed upon many developing countries around the world in the 1980s, would show similar parallels that could be drawn. However, the exception here is that Dubai pursued a deliberately crafted strategy of debt financing for its infrastructure projects, hotels, free zones, mega-projects as well as port facilities locally and in other countries that are owned by the government related entity, Dubai World. Using a debt financing strategy in Dubai was necessitated by the fact that the fiscal space for Dubai's GREs had become increasingly limited as the city had started to experience dwindling revenue from its hydro-carbon sector needed to finance some of the city's audacious megaprojects that were conceived as major some of the city's state owned holding companies (SOHC) (see Appendix III for list of SOHCs).

Apart from being built on the sweat and blood of migrants and, as some scholars and observers would say, "slave labour" from Asia, Africa, and former Soviet Union states, the city of Dubai operates on credit, according to

Jim Cranner, who made the salient point on the *BBC World Service News Hour*, in an interview, that “...the economic history of Dubai has been on credit. In the 1950s, Sheikh Rashid borrowed £400,000 from Kuwait to dredge the creek. He mortgaged the city.” (Cranner, *BBC World Service News Hour*, 05 December, 2009).

This policy of mortgaging and debt leveraging was in vogue until the global financial crisis and was central to the Government of Dubai’s economic development strategy. In addition, the global financial crisis of 2008/2009 “...brought to light that something had gone” (Chachage 1987), profoundly wrong in the glitzy city of Dubai, one of the Middle East’s most enviable and economically prosperous sheikhdoms. In International Relations literature Dubai would be described as possessing hegemonic economic power in a region beset by strife and conflicts.

As mentioned, Dubai’s growth model was a remarkable achievement, but entailed high risks. The large scale and highly leveraged property investments, as well as the expansion into real estate and private equity abroad brought [...] about the tripling of Dubai’s debt during the period 2000-2008 to almost 100 percent of GDP (IMF 2011:56). The Table below illustrates this.

**Table 9.7: Estimates of Dubai and its GREs' Debt Burden**

Outstanding Dubai "Public Sector" Debt as of December 2009			
US\$ million	Disclosed Debt (1)	Other Est. Liabilities (2)	Total Est. Liabilities (3)
Dubai World	26,219	7,866	34,085
Dubai Holding	15,090	4,527	19,617
ICD	28,275	5,655	33,930
Dubai Government	18,700	0	18,700
Other Entities	1,885	0	1,885
<b>Total</b>	<b>90,169</b>	<b>18,048</b>	<b>108,217</b>
Total (ex-Gov)	71,469	18,048	89,517

**Source: Batori, Paolo and Mohammed W. Jaber. "UAE: A Closer Look at Dubai's Debt." Strategy & Economics. Morgan Stanley Research. December 7, 2009 cited in Frasca 2011, pg.34.**

As depicted above, over the years in the city, both the "...public and private institutions have increasingly relied on external sources to finance their rapidly expanding development projects and investment programmes. Both government and corporate entities, notably in the financial sector, turned to foreign banks and international bond markets to secure their financing requirements in the form of longer term lower cost of funds" (Moubayed & Vogel 2009:2). During the property frenzy, developers piled up debt as if, to put it colloquially, there was no tomorrow. A cursory glance at Table 9.6 would indicate that Dubai's debt problem was exacerbated by the borrowing appetite of "...Dubai World, Investment Corporation of Dubai and Dubai Holding or in other words *Dubai Inc*" (see Appendix II) (Moody's, 2008, *Economist*, January 5<sup>th</sup> 2013).

Dubai's economic transformation was and still is debt-financed. The sharp increase in the funding requirements of Dubai's state-owned corporations in order to finance their ambitious plans and the decision of many to tap into conventional debt and Sukuk (Islamic finance) markets has resulted in a sharp increase in both rated and unrated debt (Moody's 2008: 3). The debt trap in Dubai is further exacerbated by the previously noted fact that the city state is not only developmental, but has a deeply entrenched rentier

structure, lacking a tax system that could off-set the government's budgetary commitment to its citizens, infrastructural development and the internationalization of domestic development and commercial strategies. The development strategy pursued by the Government of Dubai is supported by Dr. Mohammed Obaid Ghubash who commented that:

“... international foreign and local bank credits were available to all but it was Dubai that appropriated and utilized it far better than the rest and that if Dubai did not borrow money, it would not have developed” (Ghubash 2009:7).

The use of local and foreign debt stocks, as part of Dubai's development financing arsenal, opened up the domestic economy to the influence and exigencies of the international capital and money markets that fall outside of the sovereign political jurisdiction of the Dubai state and also outside of what Gramsci (1971) calls the *hegemonic power* of the state. The apostles of cheap sovereign financing, for both soft and physical infrastructural development, have failed in their fiduciary duties by engendering the breach in Dubai's economic sovereignty.

The principality of Dubai further ceded some of its economic and political sovereignty, not to the federal political structure, but instead to Abu Dhabi, when the Emirate threw Dubai an initial life-line via the Central Bank of USD 10 billion out of debt of USD 20 billion to meet its debt financing obligations for Dubai World, Nakheel and other GREs that developed severe liquidity problems, when Dubai's property market crashed in 2008-2009. This was similar to other bailouts that took place in Latin America, Africa and the Caribbean, from the World Bank through its structural adjustment programmes. The financial assistance from the Government of Abu Dhabi was offered to bail-out the aforementioned bankrupt GREs, came with strings attached or conditionalities. International economic law discourse argues that a “...fundamental attribute of state sovereignty, is economic sovereignty and without this political sovereignty is not complete” (Subedi

2006: 22). In essence, as already emphasised, Dubai's debt financed development model has compromised Dubai's political and economic sovereignty. This situation might become intractable, "...in the absence of policy change, (...) according to the International Monetary Fund (IMF) in its periodic report on the UAE which might eventually lead to greater fiscal vulnerability in the emirate of Dubai" (IMF 2011 cited in Zawya, May 24, 2011).

## **9.9. Conclusion**

Dubai has developed a pragmatic approach to poverty alleviation and development in which this seemingly post petro- city state has had to re-orient the state in such a way that it was able effectively embrace the process and benefits of economic globalization. The economic growth momentum that was achieved between 1998-2008 in Dubai and GCC generally, "... has had a 'wealth effect' in the creation of a new generation of high net state and [...] corporate entities" (*Gulf Business* pg. 175, April, 2008), and by extension, a modern and wealthy city-state. It is instructive to note that "...neither structuralism nor the dependency theories foresaw the rapid growth" (Kay and Gwynne 2000:54) of peripheral economies such as that of Dubai. With the city fast running out of oil resources it was forced, of necessity, to develop a cocktail of home grown economic growth and development strategies. The aforementioned economic success of Dubai may be partially explained by Bardhan (1990) when he notes that "...beyond the obvious self-aggrandizement of the leadership, there exists (in the case of Dubai) state-led developmental coalitions aimed at making a difference towards achieving the city's collective aspirations."

Social and economic development policies and strategies in Dubai are carried out by excessive state intervention. The local elite deem state intervention to be fundamentally important for various reasons, including cultural ones and the bolstering of state or monarchical legitimacy. Empirical evidence has shown that political legitimacy has been obtained through the adoption of

rent-extracting and state led developmental economic policies that have brought benefits to the state, state elites and the wider Emirati citizenry. However, the global economic crisis of 2008 has uncovered the weaknesses in the Dubai Inc Model.

The narrative in this chapter speaks to the challenges of pursuing the process referred to as development. With the exceptionally rapid transformation that took place in Dubai, it was inevitable that there were bound to be attendant negative externalities and human exploitation (Textbox One refers). As indicated, the pursuit of individual, corporate and state wealth has become more important than principles of social justice and exclusion. The social and economic structure in Dubai, by design, creates a stratification system that allows a hierarchical order to develop, based on race and nationality. Development in the Emirate is primarily geared towards the Emirati citizenry and the transatlantic managerial class and possibly that broad base of Asians and Africans guest workers which, are on the periphery of the Dubai labour market. The face of a modern Dubai should not be seen through the lens of the glamorous skyscrapers and the many superlatives that are used to market the city, but instead through the numerous untold stories of human rights violations that have been committed to create the new generation of transnational Atlantic capitalists.

## **Chapter Ten: Summation, Conclusion and Recommendations**

*Economic growth in the region has had a wealth effect in the creation of a new generation of high net-worth individuals*

*By Michael Tomalin CEO of National Bank of Abu Dhabi*

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### **10.1. Introduction**

This thesis has been written with a view to analyzing Dubai's socio-economic development strategies and performance within the parameters of the proposed rentier, developmental and competition state theories. The research questions and objectives were addressed in the foregoing chapters of the study. This chapter summarizes the thesis, offering a recapitulation of the main thematic issues that arose from the research.

It comprises four main sections and a number of sub-sections. Section 10.2 engages the research question as to whether or not Dubai is a rentier State; Section 10.3 addresses the question of whether the city state of Dubai displays features of a developmental state. Section 10.4 addresses the research question as to whether Dubai demonstrates characteristics of a competition state. In Section 10.5, the remaining key findings, not dealt with chapters seven, eight and nine, are discussed. Sections 10.6 and 10.7 conclude the thesis.

### **10.2. Is Dubai a rentier state?**

The rentier state theory is one of the central propositions around which this thesis is constructed, giving rise to the following research question: "Can Dubai be considered a rentier state?" This section seeks to provide practical examples which indicate that Dubai demonstrates features of rentierism as a micro-state. An apposite comment in this regard was made by Nabil (2004:9): "...Oil resources relieved many governments of the need to tax their citizens and allowed governments to redistribute substantial resources through vast welfare and social services systems. At the same time, this

system of pervasive redistribution of wealth reduced demands from Arab citizens for accountable and inclusive public institutions.”

This point of view is also supported by the following statement in BTI (2012:18):

...The UAE offers its citizens a comprehensive welfare system including social security benefits, free or subsidized housing, a well-developed health care system, educational opportunities, and a wide array of other subsistence assistance. The Ministry of Social Affairs paid out AED 2.2 billion (\$600 million) in social security benefits in 2008.

As with politics, so it is with economics. Oil has had a far reaching effect on the management of the “allocation” economies, subjecting them to two distinct logics: one of distribution, the other of diversification (Owen 2008: 4). Dubai, in a manner similar to that of Abu Dhabi, Kuwait and Qatar, has earned rent not only from oil but from other sources such as profits from foreign investments and the controversial sponsorship system, which represents a new form of rentierism. In the city-state of Dubai, as noted by Owen (2008:4): “...Instead of citizens paying the state, the state paid and supported them in the form of a mini-welfare state embracing employment, free education, free healthcare;” marriage grants, free land and interest free loan for housing, subsidized petrol, water and electricity.

The Dubai state is able to finance its social welfare programmes from its entrepreneurial activities, carried out by its spectrum of GREs; its federal budgetary allocation; the interest from investment in overseas and local assets; as well as royalties and other receipts from its dwindling oil deposits. As is typical with all rentier states, there is no taxation and the lack of civil society prevents the imposition of checks and balances on the state. Chapter six, refers.

### **10.3. Is Dubai a developmental state?**

The research question posed, concerning whether Dubai may be considered a developmental state, finds an immediate answer, "...undoubtedly in the state's philosophy," (Bolesta 2007:109). The relevant paradigmatic literature also affirms that Dubai meets the requirements to be described as a developmental state. However, it is also the researcher's proposition that Dubai displays some of the features of a developmental state, which forms in part, the central locus of the hybrid theoretical framework. There is significant empirical evidence to show that Dubai demonstrates characteristics of a developmental state, as mooted in the following discussion.

As with the former NICs, Dubai, in the first instance, conforms to the conventional theory that a developmental state is "...one whose ideological underpinnings are developmental and one that seriously attempts to deploy its administrative and political resources to the task of economic development" (Mkandawire, 2001: 291 cited in UNCTAD Report 2007:60).

Secondly, "...those states, whose politics have concentrated sufficient power, autonomy, capacity and legitimacy at the centre to shape, pursue and encourage the achievement of explicit developmental objectives, whether by establishing and promoting the conditions of economic growth (in the capitalist developmental states), by organising it directly (in the 'socialist' variant), or a varying combination of both" (Leftwich 2000 cited in Gemandze 2006:78). This description of the developmental state fits the concept of state led economic development initiatives in Dubai.

Thirdly, "...the ideology of the developmental state is fundamentally 'developmentalist', as its major preoccupation is to ensure sustained economic growth and development on the back of high rates of capital accumulation" (UNCTAD 2007). Dubai's strategic developmental plans emphasize high rates of economic growth (and improvement in all macro-

economic variables) and the internationalization of domestic policies and services.

Fourthly; In Dubai, as earlier mentioned, socio-economic development policies and strategies are drafted by the Executive Council, headed by the Ruler of Dubai. In other words, they are drafted by the ruling elite and executed by a competent bureaucracy in conjunction with a collection of government related entities also known as State Owned Holding Companies (SOHCs) (Appendix III) that play a central role in the developmental pursuits of this city state. None of the agglomerations of any of the institutional structures that constitute Dubai Inc are based on democratic principles and public accountability, since, as indicated, the city state is governed by soft authoritarianism. As Bolesta (2007:109) noted, the "...political system of a developmental state is usually authoritarian or at least heavily guarded from the influences of democratically elected politicians."

Fifthly, the Dubai state characteristically "...is a 'strong state' (Chapter six refers) that enjoys autonomy from social forces that might otherwise dissuade it from the use of its capacity to design and implement policies that are in its long-term interest. At the same time it develops some 'social anchoring' preventing it from the use of its autonomy in a predatory manner, securing it the approval of key social actors" (Castells, 1992 and Myrdal, 1968, cited in Mkandawire, 2001:290). Essentially, "...what makes the developmental state effective is not just autonomy, but 'embedded autonomy' in which the state is immersed in a network of ties that bind it to groups or classes that can become allies in the pursuit of societal goals" (Evans 1995 cited in UNCTAD 2007:60). The abovementioned comment describes Dubai's non-ideological approach to holistic development.

Sixthly, Dubai displays features of a developmental state because the state plays a combination of roles, including the following:

- (i) **Custodian Role:** This role embodies the use of state capacity through its institutions to draft, implement and enforce rules, legislation and regulations (Cypher & Dietz (2004:214).
  
- (ii) **The Mid-wife Role:** “Greenhouse” policy: Essentially, midwifery entails the shifting of production activities into new areas which are believed to be conducive to development and which would not be areas where private capital would venture if left to market forces alone (Cypher & Dietz 2004:215). Dubai as a “...midwife state assists in the emergence or the attraction of TNCs through foreign direct investments (FDI), which involves the free movement of money and goods” (O’ Hearn 1998:4).
  
- (iii) **Producer Role:** The Dubai state, in the ten years, has shifted from being a minimalist state via its state owned entities, to what Cypher & Dietz (2004:214) call “...the demiurge function, of the state shifts to creating a certain types of goods via state-owned enterprises or via joint venture schemes which link state investment funds with private-sector investors.”

The arguments above are merely some of the points that have emerged as a result of a comprehensive analysis of the developmental state concept and its theoretical underpinnings. In answering the research question posed at the beginning of the section, it would be remiss of this researcher not to conclude that Dubai cannot be considered to be totally a developmental state, but demonstrates a strong developmentalist agenda borne out of its development strategic plans.

The third principal research question that forms a central part of the hybrid theoretical framework is discussed in the following section.

#### **10.4. Is Dubai a competition state?**

Dubai's economic boom, referred to earlier as the *Arabian Falcon*, has, for the better part of the decade leading up to 2008, been subjected to varying degrees of scrutiny. Some economists and observers have ascribed the success of this minority micro-state to the plethora of business and macro-economic variables. This thesis argues that Dubai does demonstrate some features of a competition state, with three of these being elaborated upon below:

##### **10.4.1. Policy of entrepreneurship**

The political economy of Dubai's development "...has been informed by the political elite perceptions of global realities which have underpinned state strategies for navigating and mediating processes of globalization" (Evans & Lunt 2009:2). Much private and public capital from the Gulf and Dubai in particular has been invested abroad, for both financial and political reasons (Peterson 2009:5). Dubai, in a manner similar to that of the Federal Government of the UAE, Mexico and Ireland, has used the competition state orthodoxy as one of its potent development strategies. Evidence for the researcher's theory is noted: "...The state has created funds (popularly known as Sovereign Wealth Funds) for future use after oil; these SWFs have been invested in lucrative investment opportunities outside the Arab world" (Peterson 2009:5). Dubai International Capital, the international investment arm of Dubai Holdings is a classic example.

The Government of UAE, and Dubai by extension, occupies "pole position" in managing and simultaneously advocating a pro-competition and neoliberal agenda. It is paradoxical that whilst the Government of Dubai advocates and embraces the Washington Consensus policy prescriptions, the state is central to economic activities and socio-economic development planning and execution. McKenzie and Lee (1991), Ohmae (1995) and Reich (1991) are cited in Abdullah and Nicholson (2009:35) as stating that "...though it has

been argued that the role of the state has become diminished in a globalised economy”:

[...] Dubai’s ICT industry shows a continuing state role. The role of the state in Dubai is visible and provides the leadership, sets the policies, builds partnerships, and meets the requirements of some of the stakeholders in the industry. The state has emphasised the role of providing the conditions for competitiveness and underpinning the market. The analysis revealed that; policymaking for ICT industry development adopted by the city state of Dubai is committed to competition state policy direction (Abdullah & Nicholson 2009:46).

As happened in Mexico, the Emirate of Dubai saw the state apparatus pursuing “...micro-interventionism ‘side by side’ with ‘sound’ macro-economic policies” (Soederberg 2010:84) during the period from 1998 through to 2008, just before the advent of the global financial crisis.

#### **10.4.2. Social security solidarity**

In Dubai, the social security of the wider expatriate community or guest workers and resident family “...is subordinated to the economic needs of international competitiveness” (Kirby & Murphy 2007:9), by private sector actors in the economy. According to literature on the topic, this is a generic feature of the competition states. The same does not obtain or apply to the Emirati citizens who are protected by social welfare provisions, created by the Federal Government, which are deeply entrenched in Articles 16, 17, and 19 of the constitution. The provision of public services is provided to non-citizen residents on a free market, commercial basis; in the parlance of the World Bank, public services are provided to migrants on a “user-fee basis.”

The Federal Government of the UAE, including Dubai, has embarked on massive policy shifts through a process of labour market reforms, involving

the nationalization of the domestic labour market, in order to decrease welfare recipients' dependence on the state (Kirby & Murphy 2009:10) (Chapter eight refers). Empirical work carried out by Abdullah & Nicholson (2009), reveals that:

“... Local ICT companies receive no financial or technical assistance from the government. They compete with MNCs to hire knowledge workers and have limited access to educational and training systems Unemployment is high among young nationals, particularly among the female population.”

These items represent a few of the clearest indicators that Dubai demonstrates features of a competition state as articulated in the competition state literature by Cerny (1997, 2004 & 2007), Evans and Lunt (2010), and Soederberg (2010).

## **10.5. Other key findings and conclusions drawn**

### **10.5.1. Dubai the entrepreneurial state**

This section addresses the research question of whether state involvement plays a role in the economic development of Dubai. The traditional role of government was to promote public goods such as education, defence, maintenance of law and order and be an engine of for economic growth (Chapter six refers). However, with the emergence and global spread of economic neo-liberalism, the role of states globally has been reduced to a mere regulatory function. Thus, inevitably public policy management has been undemocratically shifted to private sector actors.

Notwithstanding the global norm, post-colonial states of the GCC have not succumbed to the hegemonic strength of the economic neo-liberalism; instead they have evolved into strong agents of change. For this reason Duvall and Freeman, in their article “The State and Dependent Capitalism”, argued that:

“...In capitalist societies of the twentieth century, the state is deeply and directly involved in the processes of economic growth, not only through benign facilitation, but through active promotion and direction. Partly, through Keynesian demand management, and partly through intervention into the sphere of production, the capitalist state plays an important role in shaping the course of the economy” (1981:100).

Given that the state had become such an important and all pervasive component of the national economy in the late twentieth century (Duvall and Freeman 1981:99), the term “entrepreneurial state” was first expressed by Marc Blecher to describe the profit seeking activities of an individual state bureau in a rural county in the late 1980s (Duckett 1998:153).

The post-colonial states of the GCC and the “...rentier monarchies including the ruling family of Dubai have managed to create highly profitable and well-managed state owned enterprises, confounding expectations of both general SOEs inefficiency and the particularly poor quality of rentier public sectors” (Hertog 2010: 261). The empirical evidence contained in the IMF’s yearly country reports, have reveal that the SOHCs of Dubai may be referred to as “...state entrepreneurialism” (Duckett 1998:153). This researcher’s proposition is that the eco-system of Dubai’s SOHCs was created with two primary purposes in mind: firstly, to provide an extensive welfare system of subsidized public services to its citizens via its rentier structures and secondly, to use the newly created entities and institutions as a catalyst for achieving the Dubai Strategic Plans of 1996, 2000 and 2015. The vision of the future is laid out in the DSPs which become major drivers behind the entrepreneurial activities of state and its SOHCs. (Chapter seven refers.)

The political economy of the rentier, developmental and competition state of Dubai, and the UAE in general, hinges on the premise that the state has become what Scott (2006:53) noted as “...a direct economic actor, for example as the owner of large enterprises.” He went on to say that the Dubai State has “...become a player as well as a referee” (Scott 2006:5),

within the economy with regard to the group of the commercial entities owned by Government of Dubai state owned entities” (see Appendix III).

The proponents of the traditional role of the state would argue that “...this puts state agents in roles that conflict - for example, as a regulator and as a player that need not be subject to the discipline of the markets” (Scott 2006:6). This scenario is juxtaposed against the “...state monopoly of coercive powers employed to restrain the private actors from breaking the rules and, if need be, to settle disputes” (Ibid: 7). Up until recently, some Government Related Entities (GREs) in Dubai were not dissimilar to the Communist Party of the Soviet Union, which in 1990 (Kagarlitsky 1990 cited in More 2001:40), was the biggest entrepreneur in the economy developing and speculating in property; owning ports around the world; owning and operating free zones; owning and financing commercial activities and operating hotels. Rahman (2009:27) has the following to say in support of this point of view: “...Dubai World is the UAE’s largest holding company and one of the world’s largest holding companies. This is a multi-diversified company and is fully owned by the Dubai Government which has a history of achievements. According to one of their managers, Dubai World is spread across five continents and has fulfilled the developmentalist and entrepreneurial state vision of the Dubai Government.”

#### **10.5.2. Good governance**

The concept of good governance has found its way into the lexicon of development literature and language. The Eurocentric development model discourse would have us believe that the recent uprising in the Middle East, popularly known as the “*Arab Spring*”, and that the pro-democracy movements in Egypt, Tunisia, Libya, Syria, Jordan and Saudi Arabia are aware of what is meant by “good governance”. Ironically, the state of Dubai is seemingly not cognizant of what the tenets of good governance are, if the basic principles of the Wilton Park Conference are to be applied. According

to Ijewere (1999:233), this Conference “states that the following are some of the basic principles on which good governance must be based:

- (i) It must be democratic in the sense of free and fair elections on a universal suffrage. This is essential but it is not enough. There must be transparency and accountability.
- (ii) The judiciary must be independent.
- (iii) The system must support an economic programme that is growth-oriented, inclusive and broad-based.
- (iv) All citizens must feel involved in the nation’s life.
- (v) It must respect the rule of law; there must be constitutional checks and balances to prevent misuse of state power; there must be protection for individuals’ human rights.

Prior to the Arab spring, the concept of “...exceptionalism in the Middle East” (Salamey 2009:249) had to a large degree excused the lack of a Western designed mode of good governance at the political level and by extension, the legitimization of hereditary or dynastic transfer of power in the Arab Gulf States (AGS). The socio-political dynamics, as described by Nabil (2004:9), are summarized below:

...Arab governance mechanisms lacked transparency, reflected in limited access to government information and carefully monitored freedom of the press. They lacked contestability, reflected in some of the most centralized governments of all developing countries. And they lacked inclusiveness, reflected in rural/urban inequalities in access to public services, gender inequalities in voice and participation in society, and in nepotism or patronage determining who gets public services or access to lucrative business opportunities and who does not.

In the Arab world and Dubai in particular, there is what is known as the “...management by majlis, the majlis is an Arab tradition, usually involving a community leader gathering a group to address people’s concerns, hear ideas, communicate plans or simply as a social forum to gather friends and family” (Sampler & Eigner 2008:136). In essence, the majlis is the people’s parliament and is informed by socio-cultural and religious historical traditions and values.

Good governance is increasingly recognized as a cornerstone of sustainable economic growth, poverty eradication and development and is directly linked to sustainability which integrates social, environmental and ethical practices as it helps build long term value for various stakeholders. The Millennium Declaration also places a special emphasis on the importance of good governance for development (Ameinfo 2010, October 10). In an effort to embrace aspects of good governance, the Government of Dubai has promulgated a Civil Code (to its legal system) while the creation of the Dubai International Financial Authority (with its own legal autonomy) is a radical deviation from the traditional roots of Islamic Law (Sharia), in addition to the Federal Penal Code (1987) of the United Arab Emirates (Al- Muhairi 1995:287). This meets some aspects of the Wilton Park Conference’s basic requirements of the rule of law as indicative of good governance in a society.

Dr. François Valérien, Head of Private Sector Programmes, Transparency International, said,

...there is no good governance without transparency towards the society as a whole. Any good government has to be accountable to the citizens, and transparent on its use of the national wealth for the public good. Beyond the fight against corruption, transparency is a prerequisite for good governance, at the national level and also in international institutions such as the G20. (Ameinfo 2010, October 10).

Dubai is similar to other developmental and rentier states in demonstrating that there is no correlation between development and transparency. The debt crisis that checked Dubai's economic development trajectory brought to the fore what had always been known about the lack of transparency and accountability of the Government of Dubai.

### **10.5.3. Free zones and their implications for rent extraction**

UAE law obliges expatriates who seek to reside and do business in the country, either to do so through a partnership with a UAE national in which the expat may own up to 49 per cent, or through a sponsorship system that allows the expat to own the entire business; although not on paper, provided they pay a fee to a UAE national. This fee can range from as low as a thousand dirhams a year and go up to several hundred thousand, depending on the size of the business (Al Qassemi 2010, The National Newspaper October 07). This institutional rent extracting practice does not fit into the textbook definition of rentierism; however, it still generates revenue for an economic actor engaged in a non-productive activity. This is typical across the GCC; furthermore, not only does the state extract revenue from processing visas and other services, but citizens are also allowed by law to extract rent from residents through the Kafala (sponsorship system).

The diversification of the entire economic structure of the UAE, including Dubai's economy, through the many sector-specific free zones (Appendix IV), has serious ramifications for the rentier-seeking citizens. The free zone regulations allow individuals and businesses to own 100% of their incorporated entities within the free zones. This new development invariably cuts off an important revenue stream for local citizens who have made careers out of sponsoring expatriates wishing to live and work in the UAE. In terms of its wider political implications for the ruling family, it is not likely to test the legitimacy of the state as the rentier structure is deeply embedded within the society, both at the local and federal levels by the various, generous forms of social welfare (etcetera). The members of the tiny Emirati

population of less than one million people are legally entwined and entangled within the patron-client networks and are thus unlikely to risk losing the additional benefits that are afforded to them via the tacit social contract mentioned in Chapter two, by protesting the loss of future rent extracting opportunities.

#### **10.5.4. Development of Dubai and for whom?**

Tourists, residents, observers, academics and citizens to the UAE and Dubai in particular, speak of the way the city has been developed. However it is unfortunate that they speak out of ignorance of the city's infrastructure, referring to it as development. They may, for example, discuss the increasingly wide network of newly built multi-lane roads with long-time residents of the city, a citizen or an expatriate, who, referring to the non-existence of tarmac roads in the 1970s until the early 1990s, speaks glowingly of development since then.

Those visitors and conscientized residents, who have spent more time in Dubai, especially during the boom time between 2004 and 2008, would have noticed that the visible segments of the population were enjoying standards of living comparable to middle classes globally. For the citizens (Emiratis), their quality of life has been described by *The Economist* (2011, June 30<sup>th</sup>): "... as being amongst the world's most pampered. They enjoy cradle-to-grave welfare lavished by the oil-rich state and the advantages of what has long been the Gulf's most open and tolerant way of life." However, unfortunately, for the hundreds of thousands of unskilled and semi-skilled migrant workers who have toiled endlessly to transform the city, their lives can best be described as those of the wretched of the earth who were subjected to some of the worst human rights violations, as described in Chapter nine.

For the capitalist, development is assessed in terms of growth and the fact that economic growth trickles down to the people. Thus, development in

capitalist societies is often assessed according to the theory that a rising tide raises all ships; meaning that while growth may be unevenly distributed, the mere existence of growth ensures that everyone benefits (www.kaieteurnewsonline.com). The trickle-down benefits of growth stopped close to the apex of the social structure of the labour force; the primary beneficiaries of Dubai's exponential and sustained growth were the local rent extractors who sponsored anyone and everyone who wanted a piece of the Dubai gold rush and the transnational professional class who created and managed the state institutions, health care and educational institutions, IT companies and hotels. As is customary in human history, not everyone benefitted from Dubai's socio-economic transformation. (Chapter nine, textbox one refers.)

The research question posed, concerning how the state protected and empowered its minority population, has been answered: this thesis has demonstrated that the Government of Dubai, guided by federal policies and development strategies, has created a development model by directing state resources, borrowed or earned, into a well designed RDC hybrid model. This model is supported by constitutional provisions and local decrees by the ruler of Dubai.

#### **10.5.5. Business- state relationship**

This study arrives at a fundamental finding concerning state-business power relations, within the context that "...the more the development strategy relies on the activities of the private sector, the more influence the actors of this sector will have in relation to policy formulation and decision-making. Furthermore, as a corollary to this, it is assumed the greater the economic power of the private sector in relation to the ruler (ruler-merchant power balance) the more influence the private sector will have in regard to decision-making" (Hvidt 2007:558). Al-Sayegh (1998:101) explains that in Dubai, the entrepreneurial or merchant class in the latter part of the twentieth century began to broaden their role in the society, which

...enabled them to strengthen their position in society; many were powerful and contributed to Dubai's development as educators, philanthropists and cultural advocates. Some ploughed new wealth into the economy thus providing more jobs, i.e. Al-Ghurair, al-Futtaim; others used it to establish community services: research centres, public libraries, scientific and academic institutions all have been financed with merchants' money. The Jumrah Al-Majid Center for Culture and Heritage and the Dubai Medical College are two examples of community projects financed and patronized by wealthy Dubai merchants.

Dubai is characterized by markedly wealthy merchant communities, whose leading members play a substantially important role in political and public policy-making (Lawson 1994:403 & Peck 1986 cited in Hvidt 2007:566). However, this seemingly unequal power balance has been countered by the "...smallness of the emirate's working classes and the fact that they continue to consist primarily of highly vulnerable expatriate labourers which leaves the commercial elites with virtually no alternative but to remain junior partners of the various ruling families" (Lawson 1994:403).

## **10.6. Conclusion**

This thesis brings to the fore a much needed intellectual debate, backed up by practical investigation into the social and economic development strategies employed by the government of the desert sheikhdom of Dubai. The study has established that the unprecedented spatial, economic and social development here is shaped by a hybridization of development paradigms. In essence, no single development paradigm may be attributed to Dubai's transformation or any political ideological rhetoric or tendencies.

## **10.7. Recommendations for further research**

- (i) The evolution of the role of women in the continued developmental process of Dubai

- (ii) It would be remiss of researchers in the Middle East not to explore, in the near future, the social and economic costs, to the society as a whole, of out-going remittances by the expatriate community to their home country.
  
- (iii) In the post global financial crisis period, it has become apparent that Dubai may evolve from being an allocation state to a production state, thus the above becomes a possible area for further investigation.
  
- (iv) The contradiction between Emiratization and sustained economic growth in a labour-importing society suggests itself as a significant area for further investigation.

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## List of Appendices

### Appendix I

#### Sample Semi-Structured Interview Questions

##### Interview Guide

##### Interview Guide for Professional Groups

- i. How long have you been residing in Dubai?
- ii. A description of what constitutes the Dubai Model
- iii. What is regarded as the *Dubai Model* is seen as a success story for developing countries. Why do think Dubai has been able to transform itself so quickly?
- iv. The Genesis of the Dubai Model and whether it can be replicated elsewhere. How has the U.A.E harnessed expatriate labour to foster national development?
- v. Would you consider Dubai a rentier-state or Developmental or Competition State or does it display features of all?
- vi. Emiratization as a policy: What are the main tenets of the process and what are some of the likely impediments to an effective implementation of the process.
- vii. How has the U.A.E harnessed expatriate labour to foster national development?
- viii. Emiratization as a policy: What are the main tenets of the process and what are some of the likely impediments to an effective implementation of the process? What sector of the economy you work in? How long and in what capacity?
- ix. What would you regard as the downside of Dubai's Socio-Economic Development model and why?
- x. How pervasive is racial discrimination in the work place in Dubai and United Arab Emirates?

- xi. What are some environmental concerns raised based on all the construction taking place in the emirate?

### **Interview Guide for Unskilled and Semi- Skilled Migrant Workers**

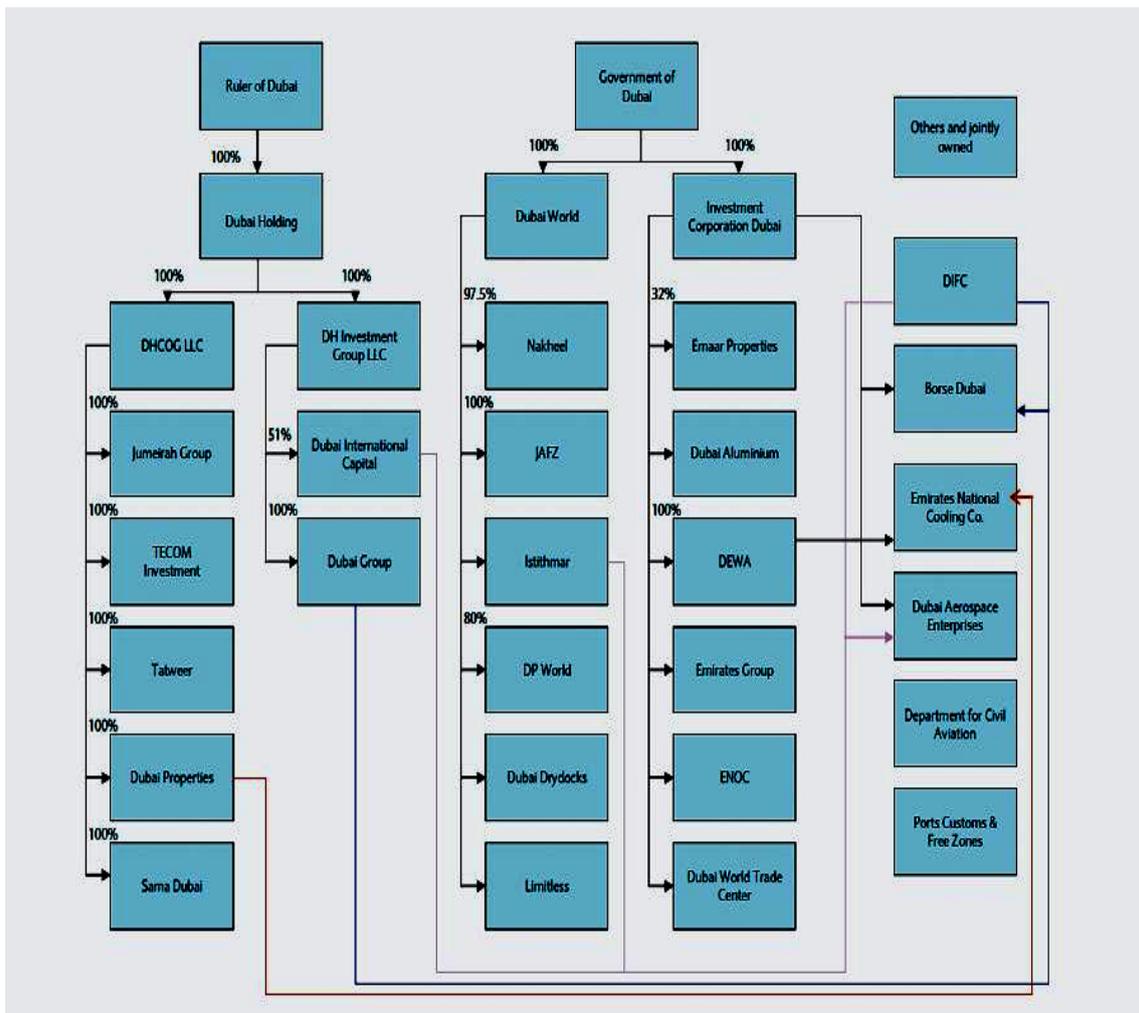
- i. Duration of residency in Dubai
- ii. Nationality
- iii. Frequency and timeliness of salary
- iv. Number of days worked in a month and payment of overtime
- v. Distance traveled to and from the place of work
- vi. Number of workers in a room
- vii. Number of workers who share kitchen and toilet
- viii. State of their living conditions
- ix. Are they allowed to take annual vacation leave?
- x. Salary range

### **(1) Interview Guide for Emirati Citizens**

Research Area: Questions and issues around social development, expatriate labour, and Emiratisation.

- i. What services do you get from the state without having to pay for it?
- ii. What are some of your concerns about the number of expatriates in Dubai?
- iii. What are your thoughts on the emiratization process and is the initiative a necessary one?
- iv. Do you believe that foreign labour is beneficial to the society?

## Appendix II: The Dubai Inc Model



## Appendix III

### List of Dubai's SHOCs/GREs and their ownership structure

Commercial Entities	Sector	Govt Ownership
<b>Dubai Holding</b>	Financial Services	100%
Dubai Holding Commercial Operation Group	Financial Services	100%
Dubai Properties Group	Real Estate	100%
Jumeriah Group	Leisure & Tourism	100%
Tatweer	Financial Services	100%
TECOM Investments	Real Estate	100%
Dubai Holding Investment Group	Financial Services	100%
Dubai Group	Financial Services	100%
Dubai International Capital	Financial Service	100%
Dubai World	Financial Services	100%
Dubai Dry Docks	Transport	100%
Economic Zones World	Real state	100%
Jabel Ali Free Zone	Financial Services	100%
Isitithmar World	Financial Services	100%
Limitless	Real Estate	100%
Nakheel	Real Estate	100%
Port & Free Zone World	Financial Services	100%
Dubai Maritime City	Real Estate	100%
DP World	Transport	80%
Investment Corporation of Dubai	Financial Services	100%
Dnata	Leisure & Tourism	100%
Dubai Aluminum Company	Mining and Metals	100%
Dubai Duty Free	Retail	100%
Dubai Electricity & Water Authority (DEWA)	Power & Utilities	100%
Dubai World Trade Centre	Real Estate	100%
Emirates Airline	Transport	100%
Emirates National Oil Company	Oil & Gas	100%
Emirates NBD	Financial Services	56%
Emirates Islamic Bank	Financial Services	100%
Union Properties	Real Estates	48%
Cleveland Bridge & Engineering Middle East	Mining & Metals	51%
Dubai Cable Company	Industrial	50%
National Bonds Corporation	Financial Services	50%
Emaar Properties	Real Estate	31%
Almak Finance	Financial Service	48%
Dubai Islamic Bank	Financial Service	30%
Tamweel	Financial Service	57%
Deyaar Development Company	Real Estate	43%
Noor Islamic Bank	Financial Services	25%
Commercial Bank of Dubai	Financial Services	20%
Dubai Investments	Financial Services	12%
Borse Dubai	Financial Services	uncertain
Dubai Financial Market	Financial Services	80%
Deira Investment Company	Real Estate	uncertain
Dubai Aerospace Enterprise	Transport	uncertain
Emirates Investment & Development Company	Financial Services	uncertain
Dubai International Financial Centre	Financial Services	100%

## **Appendix IV**

### **Eco-system of Free-Zones in Dubai**

<b>Number</b>	<b>Free Zones</b>	
1	Jabel Ali Free Zone	
2	Dubai Goal & Diamond Park	
3	Dubai Maritime City	
4	Techno Park	
5	Dubai Internet City	
6	Dubai Media City	
7	Dubai Knowledge Village	
8	Dubai Outsource Zone	
9	Dubai Healthcare City	
10	International Media Production Zone	
11	Dubai Biotechnology & Research Park	
12	Dubai Healthcare City	
13	Dubai International Financial Centre	
14	Dubai Academic City	
15	Dubai Airport Free zone	
16	Dubai Silicon Oasis	
17	Dubai Logistics City	
18	Dubai Multi-Commodity Centre	
19	International Humanitarian City	
20	Dubai Studio City	
21	Dubai Flower Center	
22	Dubai Auto Zone	
23	Enpark	
24	Dubai Auto Zone	

## **Appendix V**

### **Call for Hotel Professionals:**

#### ***BIN EID EXECUTIVE SEARCH & SELECTION***

**This advertisement was carried in the Gulf News Daily ( March 2004)**

- Resident Manager ( European Candidates Only)
- Director of Food and Beverages ( European/Arab Candidates Only)
- Director of Sales ( European/Arab Candidate Only)
- Public Relation and Marketing Manager (European Candidate Only)
- Restaurant Manager –( Male/Female (European Candidate Only)
- Bar Manager—Female (European Candidate Only).

#### **Other Positions**

- Executive Sous Chef (European Candidate Only).

## **Appendix VI *Dark Side of Dubai Extract from the Independent Daily***

Thirty years ago, almost all of contemporary Dubai was desert, inhabited only by cactuses and tumbleweed and scorpions. But downtown there are traces of the town that once was, buried amidst the metal and glass. In the dusty fort of the Dubai Museum, a sanitised version of this story is told. In the mid-18th century, a small village was built here, in the lower Persian Gulf, where people would dive for pearls off the coast. It soon began to accumulate a cosmopolitan population washing up from Persia, the Indian subcontinent, and other Arab countries, all hoping to make their fortune. They named it after a local locust, the daba, who consumed everything before it. The town was soon seized by the gunships of the British Empire, who held it by the throat as late as 1971. As they scuttled away, Dubai decided to ally with the six surrounding states and make up the United Arab Emirates (UAE).

### **Hidden in plain view**

There are three different Dubais, all swirling around each other. There are the expats, like Karen; there are the Emiratis, headed by Sheikh Mohammed; and then there is the foreign underclass who built the city, and are trapped here. They are hidden in plain view. You see them everywhere, in dirt-caked blue uniforms, being shouted at by their superiors, like a chain gang – but you are trained not to look. It is like a mantra: the Sheikh built the city. The Sheikh built the city. Workers? What workers? Every evening, the hundreds of thousands of young men who build Dubai are bussed from their sites to a vast concrete wasteland an hour out of town, where they are quarantined away. Until a few years ago they were shuttled back and forth on cattle trucks, but the expats complained this was unsightly, so now they are shunted on small metal buses that function like greenhouses in the desert heat. They sweat like sponges being slowly wrung out.

Sonapur is a rubble-strewn patchwork of miles and miles of identical concrete buildings. Some 300,000 men live piled up here, in a place whose name in Hindi means "City of Gold". In the first camp I stop at – riven with the smell of sewage and sweat – the men huddle around, eager to tell someone, anyone, what is happening to them.

Sahinal Monir, a slim 24-year-old from the deltas of Bangladesh. "To get you here, they tell you Dubai is heaven. Then you get here and realise it is hell," he says. Four years ago, an employment agent arrived in Sahinal's village in Southern Bangladesh. He told the men of the village that there was a place where they could earn 40,000 takka a month (£400) just for working nine-to-five on construction projects. It was a place where they would be given great accommodation, great food, and treated well. All they had to do was pay an up-front fee of 220,000 takka (£2,300) for the work visa – a fee they'd pay off in the first six months, easy. So Sahinal sold his family land, and took out a loan from the local lender, to head to this paradise.

As soon as he arrived at Dubai airport, his passport was taken from him by his construction company. He has not seen it since. He was told brusquely that from now on he would be working 14-hour days in the desert heat – where western tourists are advised not to stay outside for even five minutes in summer, when it hits 55 degrees – for 500 dirhams a month (£90), less than a quarter of the wage he was promised. If you don't like it, the company told him, go home. "But how can I go home? You have my passport, and I have no money for the ticket," he said. "Well, then you'd better get to work," they replied.

## Appendix VII

<b>Name of the Interviewee</b>	<b>Organization</b>	<b>Position</b>	<b>Date</b>
Interview I		Business Owner	May 2009
Interview 2		Security Guard	May 2009
Interview 3		Security Guard	May 2009
Interview 4		Security Guard	May 2009
Interview 5		Security Guard	May 2009
Interview 6		Security Guard	May 2009
Interview 7		Security Guard	May 2009
Interview 8		Security Guard	May 2009
Interview 9		Senior Statistician	September 2011
Interview 10		Emirati student	December 2011
Interview 11		Emirati Banker	January 2012
Interview 12		Geographer	April 2012
Interview 13		Geographer	April 2012
Interview 14		Geographer	April 2012
Interview 15		Medical Engineer	April 2012
Interview 16		Educator	June 2012
Interview 17		Emirati Student	November 2012
Interview 18		Economist	November 2012
Interview 19		A/C technician	July 2012
Interview 20		Attorney at law	December 2012
Interview 21		Medical Engineer	January 2013
Interview 22		Project Manager	January 2013

## Appendix VIII

### List of urban communities constructed between 1998 and 2008

Institutions	Description
Emirates Hills	Residential
Al Barsha	Multi-purpose community
Arabian Heights	Multi-purpose community
Jumeirah Lake Towers	Multi-purpose community
Dubai Marina	Multi-purpose community
Business Bay	Multi-purpose community
Down Town Dubai	Multi-purpose community
Dubai Pearl	Residential community
Arabian Ranches	Multi-purpose community
International City	Multi-purpose community
Discovery Gardens	Residential community
Palm Jumeirah	Residential community
Dubai Pearl	Residential community
City of Arabia	Residential community
Jumeirah Village	Residential community
Mirdiff	Multi-purpose community
The Springs	Multi-purpose community
The Greens	Residential community
Jumeirah Islands	Residential community
Jumeirah Beach Residence	Multi-purpose community
Motor City	Multi-purpose community
The Meadows	Multi-purpose community