

Read This: Taking a Look at a Nation at the Crossroads

A review of *Dubai: The Vulnerability of Success*, by **Christopher M. Davidson**

By **Riley McDermid**, Senior Reporter

“It is no coincidence that over the past 30 years the federal government (and sometimes Dubai unilaterally) has intervened in every single regional conflict, either by hosting peace negotiations or by offering some form of political support,” says **Christopher M. Davidson**, a fellow at the Institute for Middle Eastern and Islamic Studies at England’s Durham University.

Christopher M. Davidson’s “Dubai: The Vulnerability of Success” maps the rise of Dubai from a simple tribal sheikhdom garnering its largest revenues from a booming pearling industry at the crossroads of the British Empire, to an international commercial center rivaling some of the world’s greatest capitals.

Davidson, a fellow at the Institute for Middle Eastern and Islamic Studies at England’s Durham University, knows firsthand the issues the country is facing; he did a stint as an assistant professor of political science at the Sheikh Zayed University in Abu Dhabi and Dubai, and wrote an earlier book on the region, “The United Arab Emirates: A Study in Survival.”

His eight chapter book attempts to parse for readers the complicated layers to a country with no functional form of democracy but a skyrocketing rate of growth, a booming commercial center and an increasingly international presence.

Davidson largely accomplishes the task of weaving readers through a history that saw Dubai change from a central British port serving as a defense of the nation’s business interests in India, to one of the world’s friendliest places to do business. And, despite some occasionally dry passages that focus on a seemingly endless line of similarly named sheikhs and minutiae of global statistics, he generally succeeds in underscoring how and why Dubai has become such a crucial player on the world’s geo-economic scene.

One of seven sheikhdoms that comprise the United Arab Emirates, Dubai is part of a formal federation of semi-autonomous states created in 1971 after the British ended a truce that had been in place since the latter part of the 17th century.

Not considered one of the federation’s most oil rich members – indeed, Dubai’s oil production peaked in 1991 and now accounts for a scant 6 percent of GDP – the country quickly came to rely on attracting international trade and encouraging foreign investment as a way to catapult into the 21st century. Davidson does a remarkable job of explaining how lucrative alliances created between ruling families during British rule eventually morphed into the nation’s central economic development bureaucracy. He also admirably documents Dubai’s effort to attract accomplished regional traders from Persia and other neighboring regions eventually leading to the laissez-faire trading culture still dominant in the country today.

Dubai, which first held elections in 2006, seems to be largely entrenched in an ancient patronage system that dates back to its earlier days as a tribal sheikhdom and continued during its time as a British protectorate. But, Davidson is careful to point out that although it may engage in liberal economic policies, the emirate’s politics remain rooted in autocratic philosophies.

“Dubai is still an autocracy, where real evidence of an opening for true democracy proves hard to find, and where far less political reform has occurred than in neighboring Gulf states, including even Saudi Arabia,” he writes.

As a result of its commitment to attracting foreign growth, Dubai now boasts one of the world's fastest growing economies, with a 16 percent growth rate that is more than twice that of China. In the process, the nation "has become an international destination for high-end luxury goods, duty-free shopping, unparalleled nightlife, sparkling beaches and a bustling financial center.



A recent mark of that prominence came when defense contractor Halliburton relocated its corporate headquarters to Dubai, while the recent fallout in the world's financial markets is also playing a role in raising Dubai's profile. Several leading news services have also announced newly opened offices in the emirate, while international banks scrambled to establish wealth management presences.

To maintain that reputation, Dubai has created man-made islands with multimillion dollar residences and some of the most expensive zip codes in the world, indoor ski resorts and more malls per capita than any other nation in the world. The country has also invested heavily in an infrastructure that includes high-tech highways and a wide-ranging subway.

Davidson writes that the nation has succeeded, thus far: "On paper at least, Dubai would appear to have escaped from its former dependency and certainly gives the impression that it has succeeded in creating a self-sustaining, multi-component economy capable of generating vast wealth independently of the old oil industry, which is now most often described as 'simply ticking over.'"

Davidson is also careful to point out that a key element of Dubai's continued success as a vaunted tourist destination is its reliance on a general political stability in the region, an investment the emirate assiduously cultivates.

"It is no coincidence that over the past 30 years the federal government (and sometimes Dubai unilaterally) has intervened in every single regional conflict, either by hosting peace negotiations or by offering some form of political support," he writes. He continues by explaining that although the country's peacekeeping efforts may seem altruistic, they do a remarkable job at keeping Dubai in its neighbors' good graces as a country that has not, thus far, lost its religion.

"Ostensibly this has been billed as a realistic foreign policy for a small state surrounded by larger powers, and a continuation of the lower Gulf's long tradition of balanced relations and neutrality," Davidson writes. "However, such a policy has also been a display of the UAE's efforts to create some public distance from the West and to be seen as superficially cooperating with Arab nationalist or fellow Sunni Muslim-dominated states."

In the end, the delicate balancing act that Dubai attempts by appealing Muslim allies and neighbors and encouraging foreign tourism can be a tricky one, Davidson writes.

The emirate has occasionally found its Islamic underpinnings to be on sometimes embarrassing display, despite vocal protestations to the contrary. Dubai recently became the subject of intense international scrutiny after convicting two British tourists of indecent behavior for engaging in sexual contact on one of the city's beaches. The two have since been sentenced to three months in prison, a ruling they are currently contesting.

In addition, the fast pace of growth and a dependence on increasingly shaky global markets may have come with a price, as Davidson warns and recent data supports. Ratings agency Moody's warned in mid-October that Dubai's debt has now soared to around 100 percent of the country's gross domestic product.

That ratio prompted Moody's to issue a warning that Dubai may not be able to cover all its debts in the case of severe financial shock.

"Moody's will therefore be increasingly factoring the potential for federal support ... given that Dubai is likely to require federal support in the event of a larger-scale systemic bail-out," it said in a report. ○

POLLS

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Will you hit the slopes or sink your toes into the Caribbean sand when the winter freeze kicks in?



Ski: 35%
Swim: 65%



ARS MESS:

Will the auction-rate securities mess spell the end of cash-equivalent marketing practices at securities firms?

Yes: 60%

No: 40%

