



Dubai The vision of the Sheikh

On the surface, Dubai **does not have much** – no territory to speak of, no big harbor, no strategic trade route location, and not much manufacturing power. But **it does have a vision**, created by its ruler, the Sheikh.

If you have even a small amount of oil money, you can build a city in the desert, turn your coastline into palm-shaped islands, and convert what was once a small trading city between the desert and the Persian Gulf into one of the great luxury destinations of the world, where the economy runs on services, and the currency is knowledge and ideas.

Dubai has the world's only seven-star hotel and soon the tallest building in the world. It also has countless golf courses and luxury villas and apartments, most of which have sprung from the desert during the past decade. The incredible growth of the economy seems to be sustained, and this member of the United Arab Emirates (UAE) is developing into the financial and trading center of the Middle East – as well as becoming one of the world's hyperconnected cities.

Dubai is Los Angeles on the Persian Gulf. The parallels are striking. Both are in a desert, short on water yet creating a verdant landscape around tall office buildings. Both are pleasure destinations as well as industrial cities (although the Long Beach of Dubai, Jebel Ali, is well away from the city proper). Both were founded on sun, sand, and oil (Los Angeles actually has more active oil wells than Dubai). Both are world-class theme park destinations – Los Angeles will soon have fewer active theme parks than Dubai. And both suffer from a water shortage, although there is more natu-

ral water in Los Angeles. However, you cannot surf in the Gulf.

Wherever you go in the world, other hyperconnected cities want to be like Dubai. It actualizes the dream of all property developers: an empty stretch of land turned into valuable real estate. But a building, like a network, is nothing in itself. It only matters when you start using it for something. And this is where the vision of Dubai starts to matter. How do you use an empty stretch of desert? Or an empty network?

Dubai does not have the oil wealth of, for instance, Saudi Arabia or Kuwait. In oil terms, it is poor. (The main oil revenues in the UAE go to Abu Dhabi, the capital and biggest emirate.) Dubai does not have a large hinterland, other than a slice of the desert in the “empty quarter” of the Arabian peninsula. Nor does it have a country to be capital of, like Seoul. It does not have one of the biggest harbors in the world, or a location in the middle of the busiest trading lanes in the world, like Singapore. It does not have the manufacturing skills of Taipei. But it does have a vision.

In terms of audacity, nobody beats Dubai. It has the feel of a garden suburb of an American city rather than a desert city on the Persian Gulf. New high-rises sprout from the ground in the newly developed areas between Dubai proper and the harbor city of Jebel Ali (where the few factories in the emirate are located). Then



► there are the world-famous palm islands: Not only the one almost completed, but two more in process, one much larger and surrounded by a chain of islands in the shape of the favorite poetry of Sheikh Mohammed bin Rashid Al Maktoum – the ruler of the country, vice president and prime minister of the United Arab Emirates, and head of one of the world's richest royal families.

A horse and camel racing enthusiast (the main high-tech contribution of Dubai to the world so far is the use of robots instead of children as camel jockeys), Sheikh Mohammed owns Dubai Holding and runs the emirate as if it were a company. Dubai Holding, its subsidiaries, and its business partners are behind many of the emirate's innovative development projects, ranging from the palm-shaped and world-shaped archipelagos (selling reclaimed land for billions of dollars) to forward-looking projects such as the International Village, Knowledge Village, Academic Village, and Media Village (home to the best-known Arab-language media outlet, the Al Jazeera TV channel).

Profit is not the Sheikh's only motive. On May 19, 2007, at the World Economic Forum in Jordan, he announced plans to establish an educational foundation in the Middle East. The USD 10 billion he contributed is one of the largest charitable donations in history. (By comparison, the Gates Foundation had original funding of USD 2 billion.) The Sheikh has stated that the money is meant to bridge the knowledge gap between the Arab region and the developed world, and will improve the region's standard of education and research, develop leadership programs for youth, and stimulate job creation.

Sheikh Mohammed's vision document for Dubai makes for interesting reading. He outlines how the country should develop through 2015, including an annual growth of 11 percent. This may seem unrealistic until you visit the country and see how it is managed – and realize that for the past eight years, the average annual GDP growth has been 13 percent. That is a much faster rate than other countries in the Gulf Cooperation Council (Bahrain, Qatar, Kuwait, Oman, Saudi Arabia, plus the UAE), and it is faster than the still-growing economies of Ireland and Singapore. Establishing and keeping an economic environment conducive to business and the creation of a strong legal and governmental services framework are two of the foundations upon which he bases Dubai's growth.

Trade, the original mainstay of the Dubai economy, was the fastest-growing industry between 2000 and 2005, despite strong showing by construction and real estate. Oil and gas were shrinking during the same period. The sectors targeted for growth are the same that show strong growth in the world economy: trade,

tourism, transportation, and financial services. The emirate's airline, winner of several awards for good service (in keeping with Arabian tradition), is a major cargo transporter as well.

Trade is again the major industry of Dubai. Oil has fallen to under 6 percent of the economy and is shrinking; the second and third largest sectors are construction and real estate, with financial services representing 11 to 12 percent (although with the audacious purchase of part of NASDAQ, the financial services sector is due to grow).

Turning itself into a logistics hub, Dubai is exploiting its strategic location halfway between Southeast Asia and Europe, creating not just one but two of the largest airports in the world (while neighboring emirate Abu Dhabi is building a third). Recognizing that the industries of the future will all run on information, and that the oil will run out in 20 years, Dubai is shaping itself into a hub for knowledge industries as well.

The financial industry is one of the most electronically connected industries in the world. Stock and commodities exchanges all make their trades on networks, increasingly based on the internet. As in Singapore, but unlike in other countries, such as South Korea, the internet industry in Dubai is regulated. The incumbent operator, Etisalat, is rapidly expanding the network capacity: Fiber to the home is now the norm in new developments; Wi-Fi access points are available in many shopping centers; and high-speed packet access is a recent mobile network addition. But all traffic must pass through a proxy server that filters out un-Islamic content, which has met with criticism because it increases business rates.

To support Dubai's growth, investments are being made in human capital, productivity, "science, technology, and innovation," and intangible structural factors such as quality of life (Dubai is already known as a golf destination). In this light the Sheikh's donation makes good sense. Education and innovation, although not profit drivers in themselves, are vital drivers of economic growth. No wonder that US universities are eager to open campuses in Dubai and other Gulf countries (see separate article). ●

A state run electronically

Dubai is a major user of the internet, in spite of frequent "Opening Soon" signs. The government uses it – and mobile services – heavily. The government even enables complaints about its services online, and is itself one of the biggest customers for its services.

► **THE VISION** of Sheikh Mohammed bin Rashid Al Maktoum, ruler of Dubai, is summarized in a document calling for 11 percent growth per

Global brands

► Dubai Internet City and Dubai Media City form part of TECOM (Dubai Technology, Electronic Commerce and Media Free Zone Authority), an enclave housing IT firms such as EMC Corporation, Oracle Corporation, Microsoft and IBM, alongside media organizations such as CNN, the BBC, MBC, Reuters and AP.

annum through 2015. How businesses will be able to do this is spelled out at a high level, whereas the most detailed part deals with how the government will change to support the program. Government departments will work together and have a common look and feel; also, the government will create mechanisms for risk identification and management, and evaluation of policies. It must be accountable and transparent – something that countries in the Gulf region are not famous for. In Dubai, however, the transparency is reaching levels that would make a western European country proud.

Government efficiency, in line with the overall productivity increases, is also on the agenda, as is empowering and motivating public service employees. The vision includes financial management and using partnerships with the private sector to deliver selected services and “non-core operations.” Sheikh Mohammed looks to be running his emirate like a business, applying the latest management philosophies.

In light of that, it is not surprising to find a section in the vision document stating that government must enhance its responsiveness and customer service. This includes use of the latest interactive technologies, as well as a customer care program (yes, the document actually says “customer care”).

“In many places, the private sector leads and the government follows. Here in Dubai, we are



Salem Al Shaer

trying to do it the other way,” says Salem Al Shaer, the director of e-services in the Dubai government.

Al Shaer’s performance is measured by the implementation of e-services in government departments – a measure that was quantitative in 2007, when the key performance indicator of 90 percent of all government services being online was reached – but now the indicator is qualitative: How good are the services?

“We found that many of the government departments only had part of their service online, or they had created a website describing the service,” he says. “So we had to change the measurement.”

Even so, the development plan for the government sounds as aggressive as that for the entire emirate, suggesting that the Sheikh is a very tough boss.

“Yes, he is a tough boss,” says Al Shaer. “That is what keeps us on our toes.”

Now, the measurement relates to how complete the government service is. “The services were not up to customer expectations – or our own,” he says. “For instance, a customer could get into the service, but not have a clue about how long it would take to complete it, nor what would happen when he was done. And there were no help lines, things like that. So we came up with 140 criteria for how to evaluate the e-services. It is our own model, and it is really

intended to measure the quality of the services.”

Last year was “year zero” in measurement terms, as it was the first year the model was applied. Apart from the 140 criteria, each website is evaluated according to usability criteria, along with a periodic survey to gauge customer satisfaction.

Apart from the service evaluation, the government departments are measured on their compliance with the shared service Al Shaer’s department has developed. All departments must use some common service enablers – primarily the call center and the e-payment gateway. Payments are the focus area for the e-government in Dubai. In 2002, Dubai enacted an Electronic Transactions and Commerce Law which deals with digital signatures and electronic registers. “The objective is simple,” says Al Shaer. “We want one point of contact between the government and the customer.”

So it well has the government done this, in fact, that it is selling its competence to private institutions, such as banks. The SMS gateway used both to pull and push information via SMS to the mobile phones (which are as ubiquitous in Dubai as anywhere) is used by private industry; and, in a breakthrough deal, Noor Islamic Bank signed an agreement to license educational material from the government – in the area of customer service, no less.

Because in Dubai, you can complain – online. The government has set up a complaints reception service, which not only lets people register complaints, but actually increases government transparency – a lot.

“When you register a complaint, you get a registration number,” says Al Shaer. “And then you get messages about what has happened with your complaint, as it is followed up.”

Along with being measured on how it resolves complaints, the government has implemented another, very direct measure of how much people pay. In a country without income tax, where government services are not free, this quickly becomes evident, especially since the system can be used to pay road toll – something that has seen mobile payments take off as people fill up their accounts on the way to the road toll stations.

The way the payment gateway is used also helps measure the usage of the service. It is an effective measure, because you usually pay just before you receive your certificate, or whatever you are getting from the service. And usage has increased dramatically.

“Year before last, we had some 54 million dirhams in transactions,” says Al Shaer. “Last year, we were up to 250 million. This year, it will be at least 290 million” (one dirham being about USD 0.30).

That transaction figure includes the government credit card. Unusually, Dubai residents can obtain a Visa card that the government has

Oil isn’t everything

▶ Dubai is distinct from other members of the UAE in that revenues from oil account for only 6 percent of its gross domestic product. A majority of the emirate’s revenues are from trade, real estate, financial services and tourism.

Universities and colleges

▶ Dubai has attracted a number of international partners within higher education:

- ▶ Zayed University
- ▶ Dubai Medical College for Girls
- ▶ Michigan State University in Dubai
- ▶ University of Atlanta
- ▶ RIT Dubai
- ▶ Cass Business School
- ▶ Heriot Watt University
- ▶ Al Ghurair University
- ▶ Dubai School of Government
- ▶ American College of Dubai
- ▶ American University in Dubai
- ▶ British University in Dubai
- ▶ Canadian University of Dubai
- ▶ Manchester University Business School
- ▶ Dubai University College
- ▶ European University College Brussels
- ▶ Mahatma Gandhi University

Expatriates make up more than 80 percent

► Dubai is now attracting expatriates to its financial and other industries, just as Singapore did in the 1980s and '90s. Expatriates are a mainstay of the economy in Singapore, where they have helped build the financial industry and run the large harbor, as well as several other industries.

Expatriates were once a separate class of workers, on par in status with stewardesses and pilots a few years earlier. Today, being an expatriate worker is far less exalted, although those on temporary work contracts for their companies are often exempt from tax both in their home country and the country they are working in – and are thus an attractive target for the financial industry.

In Dubai the main expatriate communities are Indian, Pakistani, and Bangladeshi, and their main work is in the construction industry. Chinese and Europeans are other strong groups, driving the trade, financial, and property management industries. In Dubai, expatriates make up more than 80 percent of the population but find that becoming citizens is much harder than putting in hard work. The UAE is not keen on granting anyone citizenship. Residency is another matter: Buy a piece of land in Dubai, and you automatically get residency.

»Other countries talk about a 'digital divide,' but that is *not an issue for us*. The rates for access are reasonable and the income level sufficient. And there are many ways of learning, so *nobody will be left out*.«

SALEM AL SHAER, DIRECTOR OF E-SERVICES IN THE DUBAI GOVERNMENT.

► created. The goal is to facilitate payment – to increase services, of course.

Al Shaer explains: "We wanted to make sure people had as many ways as possible to pay. You can pay for the service with SMS, and via the credit card. What we were really eager to do was direct bank transfer, since that would result in the fewest problems and the lowest cost for the customers."

The latest government service is also payment-related, enabling anyone with a mobile phone to register and pay with it. And mobile is where Al Shaer sees the next level of development. "There are many more services which could use the SMS portal. And there are other ways SMS can be used; for instance, reminders for doctor's appointments, and communications in emergencies."

But the Bank of Dubai ended up changing its system several times during the period the direct debit was to be implemented. "So we had to go directly to the banks. And we bear all the transaction costs for the credit card charges. We do not want our customers to feel that they are paying a premium for using one type of payment over another."

And that is only for payments to Dubai institutions. The federal UAE ministries are not part of the Dubai local government remit. Nor are the Gulf Cooperation Council institutions, in which all countries around the Persian Gulf cooperate. Last year they agreed to implement 39 different services. But this is not as easy as it sounds, Al Shaer indicates with a sad smile.

"The federal work is hard work. You have bureaucracy at many levels in the government. We are trying to create good cooperation with the federal government ministries, so we can deliver better services to our customers. But it becomes very complex, doing online permits, for instance. We have some projects we are working on now, such as food import permits, and permits for livestock, but this is a lot of work. We really hope the customer benefits will be worth it, because they will definitely be the winners in the end."

With eight years of experience you would expect the federal institutions (and those in the other emirates) to be beating down Al Shaer's door. That, however, has not happened yet.

"At the Gulf Cooperation Council level, we are not even represented most of the time, since that is a federal matter. But now the

ministry has been reorganized, so we really hope the new minister will be interested in this work," Al Shaer says with a small sigh. "Because we really want to do something on the GCC level. We it would make our people's lives a lot easier."

With a continued growth of 11 percent, that is certainly going to be tough. Following the vision document will not make it easier, especially if the key performance indicators are tightened. The guidelines are well spelled out, and the performance could hardly be more transparent if the government was a company.

As yet, the household penetration of Dubai is nowhere near that of Seoul or Singapore. But once the "Opening Soon" signs come off the major new construction projects (the Palm Island opens in 2009, as does the subway and the Burj Dubai – the tallest building in the world – and many of the big, prestigious housing projects), the broadband penetration will rival that of Singapore. Then Dubai will be a hyperconnected city. There will be gigabit connections in all the apartment buildings, but ADSL may still not be on the priority list in the old city.

That does not worry Al Shaer. "Other countries talk about a 'digital divide,' but that is not an issue for us. The rates for access are reasonable and the income level sufficient. And there are many ways of learning, so nobody will be left out." ●

Build campuses and they will stay

Once you have built office complexes and luxury housing in the desert, how do you get anyone to live there? Enter the next wave: the global universities. The Gulf states have invested USD 22 billion over the past five years to create opportunities for university study. And they are aiming for high quality.

► **ONE REASON** for the heavy push in university development is simple: To keep graduates at home. The "brain drain" of Arab graduates is taking a tremendous toll on the economy,

Dubai has created a sustained boom in its property industry. Since the construction of the Dubai World Trade Center in 1979, the emirate

has been a haven for property developers. New office and residential buildings are rising from the desert dunes. Creations such as the world's tallest building, the only seven-star hotel in the world, and the manmade palm-shaped island (soon to be followed by two more similar constructions) hide the fact that behind the prestige projects and shopping malls are people working in ordinary offices, creating value and driving the emirate's economy. Property development, after all, is the fastest route to value creation anywhere in the world. And anywhere you go in Dubai, someone is trying to sell you either an Iranian carpet, fake Rolex watches, or apartments. Trade and property development, hand in hand, are indeed the mainstays of the Dubai economy.

Dubai may be the first example of a service economy. Build it, and they will come, seems to be the mantra of the country when observed from the air (or via Google Earth). But while everything is under construction, and most of the buildings are due to open next year, there is a plan for how to use the buildings once they are finished. After all, a high-rise tower lasts forever in internet time, and the property developer wants his money back over a sustained period of years.

But once you have built office complexes in the desert for millions of dirhams, how do you get anyone to live there? One way is to create luxury villas and apartments on a palm-shaped island. But the super-rich are fickle and cannot sustain any economic expansion.

As part of the brain drain, 50 percent of all doctors in the Arab league go to Europe, the US, and Canada. In Britain, as many as 34 percent of all doctors are Arabs. Fifty-four percent of all Arab graduates from universities outside the Arab world do not return home after graduating.

The gap, long filled by recruiting from India, is starting to widen. Indians are staying at home as the economy on the subcontinent starts to expand, as are Southeast Asians. The construction sector (where the majority of workers come from India, Bangladesh, or Pakistan) is going to be severely hit. But it is in the engineering and financial sectors that the problems will be felt first, as graduates return to find jobs in their home countries, where the economy is still booming, despite a looming global recession.

The Gulf countries urgently need new jobs themselves. According to the management consultancy McKinsey, there is a need to create 4 million jobs in the Gulf countries during the next 20 years. Today, 42 percent of the population in those countries is under 15, so if the governments want to avoid mass migration, new jobs for doctors and engineers will have to be created.

Universities setting up campuses in expanding economies is nothing new. After all, the

most famous universities in the world are private, and while they are nonprofit organizations, they recognize that a global presence adds value to the brand. But in recent years, there has been a massive shift – from satellite campuses, offering a downscaled version of the mother campus curriculum, to distributed universities.

It started inside the United States, where the most famous universities in the world are located. Carnegie-Mellon opened its campus in Silicon Valley 2002; and, far from being a farming camp for the Pittsburgh main campus, this is where new research is expected, and new students will be enrolled. Harvard has been reluctant but recently opened in the UAE. Management schools such as London Business School and INSEAD have aggressively pursued such plans for several years (with campuses in Singapore long established). Now, the US state universities are getting into the act, with Michigan State University being given its own campus in the new Academic City of Dubai.

The pioneer in academic cities was Qatar, which built an “education city” in the capital, Doha. Bahrain has brought in Britain's Brunel University to provide engineering know-how, and Abu Dhabi has convinced the Sorbonne and the INSEAD business school to open campuses. In Saudi Arabia, the King Abdullah University of Science and Technology has established partnerships with the University of California at Berkeley, Stanford University, and University of Texas, Austin.

The USD 10 billion grant of Sheik Mohamed bin Rashid Al Makhtoum, the ruler of Dubai, and vice president and prime minister of the UAE, is aimed specifically at driving studies in the Arabic language – not to fund libraries where scholars review old manuscripts. The grant funds enterprises where Arabs learn and work in their own language, in disciplines such as engineering, medicine, and social sciences.

Like most other ventures in Dubai, the “knowledge city” and “academic city” are still under construction. But the Michigan State University campus has already started accepting students. Some of those doctors and engineers will likely stay at home, to drive the next boom in Dubai. ●

