Dubai, the Glittering Emirate, Revisited

By STEPHEN KOTKIN

DUBAI is one of those magical places that seem too good to be true. Along with the far larger and richer Abu Dhabi, it is one of seven city-states in the loose United Arab Emirates federation, which gained independence in 1971 from the overextended British empire.

Dubai’s freewheeling nightlife (in a nominally Muslim land) and its over-the-top architecture have elicited generally superficial treatment. Christopher M. Davidson, a scholar based in Britain who formerly taught in the U.A.E., corrects this with his new book, “Dubai” (Columbia University, $32.50).

Mr. Davidson nicely lays out this flashy emirate’s astonishing ascent from tiny fishing and pearling village to global hub. He also exhibits a fine historical sense, indicating how the old British imperial connections from India to Suez have been recentered, without British rule, on this upstart Persian Gulf entrepôt.

But here is what really distinguishes Mr. Davidson’s book: Unlike most foreigners who want to remain in or return to this nondemocratic emirate, he has the courage to discuss what he calls Dubai’s vulnerabilities. He does so, he writes, out of a desire to see Dubai become even better.

He warns of possible laborers’ protests against low wages and unsafe work sites, a potential backlash against the flowing alcohol, the gambling, the low attendance at mosques and a declining use of Arabic without full fluency in English. He also treats of smuggling, shady arms dealing, money laundering and human trafficking of girls and women from around Asia. International pressures, Mr. Davidson writes, have led the U.A.E. to pass new laws and tighten regulations. Still, these issues are generally overlooked in the gleaming Dubai brand cultivated by the emirate’s boosters.

For Mr. Davidson, Dubai’s greatest weakness lies in its autocratic governing system. Politics in the emirate, as in most of the Middle East, pivots not on institutions but on clans — a ruling dynasty and its favorites who own and run Dubai in opaque fashion.

True enough, but most of the Middle East is authoritarian, yet Dubai’s enlightened despotism and welcoming social environment have stood out for fostering economic advance. Like China, albeit on a tiny scale, Dubai is engaged in an experiment of economic liberalization without political democracy.

Mr. Davidson further contends that unstable neighbors threaten Dubai’s success, but here he may have matters reversed. When Egypt and Iran stifle their entrepreneurs, many of them find a wide berth in Dubai. When Saudi Arabia imposes cultural restrictions on its population, Dubai offers a place to drink
and let loose. When India and Pakistan have trouble creating jobs for their large populations, Dubai absorbs labor migrants. When Iraq or Lebanon descends into war, Dubai profits from rebuilding them.

In short, until a vast arc of countries from East Africa to Southeast Asia changes substantially, Dubai will remain poised to benefit by providing a relatively open, secure, low-tax, business-friendly alternative.

Mr. Davidson makes a broad brush point when he stresses the “nondemocratic ruling bargain” whereby Dubai nationals, who lack ways to participate in political decision-making, are, in his view, bought off with government handouts and no-show jobs. Noting the “legions of able-bodied young men drinking coffee and playing video games” at Dubai’s numerous malls during the ostensible workday, he writes that a tour of government departments would reveal many empty desks. That’s a contrast with the indefatigable Chinese in Singapore, Dubai’s lodestar.

The number of Dubai nationals, according to Mr. Davidson, stands at only 80,000, which includes up to 40,000 assimilated non-Arab immigrants from Iran. His figure for Dubai nationals is about half the official number, but even the higher estimate is no more than about 8 percent of the emirate’s approximately two million inhabitants. Most of the noncitizens are huddled into ethnic enclaves.

Dubai relies on a sizable imported professional class. (On a trip to Dubai last month, I met an Australian, an Irishman, a Pakistani, an Egyptian, an American and many other foreigners, as well as Dubai nationals, among the top executives of the major Dubai-based companies.) Mr. Davidson sees a dangerous dependence on expats who lack a path to local citizenship and could choose to relocate elsewhere.

But again, although many places in the Middle East share Dubai’s prime location — almost midway between London and Hong Kong — not many offer Dubai’s outsized opportunities for using one’s skills, except perhaps Abu Dhabi.

When asked what accounts for Dubai’s success, most of the top-shelf people single out a dearth of oil and corresponding big bets on modern infrastructure.

As Mr. Davidson notes, it was even before the era of full containerization, in the 1970s, that Dubai’s rulers built their first major shipping facility and dry dock, Jebel Ali. Some people derided these facilities as white elephants, but they became operational just as globalization was about to take off. Today, Jebel Ali is among the largest container ports in the world.

Mr. Davidson’s book bears some scars of graduate school (“dependency theory,” “cores” and “metropoles”). It was also written before the credit crisis and global contraction, and he makes no mention of Dubai’s economic vulnerabilities. In fact, the world’s searing financial debacle could turn out to be salutary for an overleveraged Dubai, reining in local inflation as well as an insane real estate market.

Whatever the short-term pain, the U.A.E. is awash in liquidity, and Dubai’s hefty investments in infrastructure appear likely to persist and to yield future dividends. Above all, accumulated expertise should enable Dubai to continue aggressive pursuit of global market share across its service industries. That growing prowess abroad, no less than pathologies at home, is a central story about Dubai that has

been missed amid the glitz.