

QATAR UNIVERSITY

COLLEGE OF ARTS AND SCIENCES

STRATEGIES OF DEVELOPMENT AND DIVERSIFICATION: A  
COMPARATIVE ANALYSIS OF QATAR AND DUBAI'S  
ECONOMIC DEVELOPMENT MODELS

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## ABSTRACT

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Strategies of Development and Diversification: a Comparative Analysis of  
Qatar and Dubai's Economic Development Models

Supervisor of Dr. Steven Wright

More than any other GCC states, political and economic foundation linkages between Dubai and Qatar have been great factors that could result in similar economic development. Shared oil boom experiences and early political cooperation brought several significant opportunities where Qatar and Dubai can manage similar economic development. Yet, Dubai's government was able to develop and diversify its economy, thus becoming one of the largest economic hubs in the world, while Qatar wasn't able to match Dubai in either economic or urban development. The similar political and economic foundations didn't support Qatar in having similar accelerated development and thus this research aims to demonstrate the reason behind the different adopted development strategies between Qatar and Dubai, and why Dubai was able to develop and diversify faster than Qatar.

To shed light on this issue, this research follows social constructive approach and examines the different economic, political and social factors of Qatar and Dubai, and how these factors worked differently in each state. This is done by examining certain areas, starting with the historical context of Dubai and Qatar, and how each state decided to adopt certain development path, and then the role of leadership in

promoting the development through state's strategic vision. Furthermore, the research dedicates a full chapter to illustrate the development and economic growth factors of the addressed states and how the differences in economic, political and social factors supported Dubai to develop earlier than Qatar. Based on the research finding, this thesis argues that Qatar and Dubai different development strategies are propelled by several economic factors and the most important is the size of oil reserve of the both states.

The political actor is another vital finding in this research as the political interests of the state and leadership direction are major aspects in controlling and promoting the state development. Moreover the research argues that the environment origin is another vital element that determines the different development strategies; the research approaches that Dubai's cosmopolitan and Qatar's Modern traditionalism is another aspect that contributed to the difference in the economic and urban development of Qatar and Dubai. Therefore, the different development models and economic growth of Qatar and Dubai is not limited to certain state's elements or state's available resources, rather it is based on more profound political, economic and social factors which play great roles in determining the development path of the state.

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## Chapter One: Problem Statement

### 1.1 Problem Statement

More than any other GCC states, political and economic foundation linkages between Dubai and Qatar have been great factors that have resulted in similar economic development in both states. Shared oil boom experiences and early political cooperation brought several significant opportunities where Qatar and Dubai can manage similar economic development. The great economic and political linkages between Qatar and Dubai encouraged scholars, researchers, and even ordinary people, to compare both states; judging, measuring and evaluating the economic development based on shared factors between the two societies.

Judging from its great external surface of the state and the massive infrastructure, Dubai's government was able to develop and diversify its economy, and become one of the largest economic hubs in the world. According to Pacione (2005) "from 1900 to 2005 Dubai managed to expand its urban area almost 190 times the original size" (Pacione, 2005, p 257) Although there was great effort from the government to modernize Qatar using the oil revenues during 1970s, Qatar wasn't able to match Dubai in economic or urban development; the similar political and economic foundations didn't support Qatar to have a similar accelerated development. In fact, 1970s was almost a preparation and planning phase for Qatar's development and this fact is supported by Khaled Adham book when he explained that in 1970s Qatar experienced great oil exploitation and started to allocated great amount of these revenues to fund mega projects, mainly state's main facilities (Adham, 2008, p. 225) Previous studies and works concerning economic and urban development in Dubai and Qatar tend to focus on the economic factors in both countries and how these factors played a better role in Dubai. For example, in his study about Dubai Model in 2009, Christopher Davidson clarified the role of diversification in enhancing Dubai economy and development rather than examining in depth and focus more on the political and social aspects role in supporting Dubai' current model.

again Fatema Fazal, in her work about Dubai Urban development in 2008 tended to focus more on the economic factors and how it improve the urban progress if Dubai, she did provide great analysis on the government and political power role in promoting the development, yet the analysis didn't provide a full picture of how elite's interests and approaches can impact the development strategies of the state. Thus this has made their analysis concentrated more on the economic aspects without giving a proper consideration to the other political and social dynamics. Dubai held an advantage over Qatar in that it did not need to build the apparatus of a national government, which was taken care of by Abu Dhabi. Thus it could dedicate more of its fiscal revenues and attention toward economic development.

However, this research focuses on examining the roots of Dubai's massive urban and economic progress, and the factors which supported its' development process. So far, no previous study provides or combines all the different reasons of why Dubai and Qatar developed at different paces despite their shared economic, culture and political foundation. Thus this study aims to come up with the other ungleaned factors and reasons through analyzing the historical context of the both states, the certain political events and the economic factors that contributed to the uneven development period of Dubai and Qatar. Moreover, to avoid previous studies' limitations, this research will consider wider aspects of the states in which political, social, economic elements will be tested and analyzed depending on several previous studies, comparative analysis researches and counterargument works in order to research on more holistic approach that can provide a clearer explanation regarding the different economic development growth between Qatar and Dubai.

## **1.2 Literature Review**

There is little academic work and social research that provide direct comparisons between Qatar and Dubai's development models or addresses the differences of both states in terms of their adopted economic systems. Yet a number of literatures and previous studies

illustrated a comparison between Dubai and other GCC states, including Qatar, and how the development model adopted by Dubai government enhanced its economic growth. The literature review can be divided into two types, a descriptive literature and explanation literature. A descriptive literature will describe the city of Dubai and the state of Qatar in terms of landscape, infrastructure, and the nature of their respective economies. The second type of literature will explain Dubai and Qatar's development models and under which circumstances both governments tended to change and adopt certain growth model.

There are certain previous studies that tended to compare Dubai's economic model success to its regional neighbors, and other literature expresses how Dubai was an inspiration for other GCC states and how it encouraged these states to reform their economy and develop. Through implementing smart economic strategies and policies, Dubai's leader, Sheikh Rashid bin Saeed was able to facilitate significant economic growth and create a suitable environment for a mixed economy. Denicola (2005) expresses that "Dubai's leaders have implemented a bold development strategy. In the space of four decades, they have managed to shift the city's economic focus from fishing and gold trading to tourism, mass communications, shipping, and finance. Unlike many of its regional peers which have developed unstable regimes and stagnant, oil-dependent economies, Dubai has diversified its economy to become a politically stable center for commerce and tourism." (Denicola, 2005, p 3)

Hvidt (2011) expresses that over the last several decades, Dubai has adopted an economic developmental system that depends on pro-business attitudes, market liberalism, and economic openness. As such, the Dubai model has so far been distinctly different from other economic models adopted in the other GCC countries. However, it seems that some GCC states started to copy the Dubai model, and it became increasingly obvious as certain GCC states started to initiate massive development projects including big constructions, towers, hotels (Hvidt, 2011, p 8). He clarifies that Dubai's unique and smart model encouraged its

neighbors to follow or adopt same model, and while he didn't directly name Qatar, Qatar is one of the most similar cases of development to Dubai.

Moreover, comparing Dubai's liberal policies to other GCC states was discussed by Rizvi (1993), who argues that Dubai has done great effort to diversify its economy; putting great effort into port investment and the Jabal Ali free trade zone. Moreover, Dubai has taken a lead in the arena of free trade zone and port investments. For example, Port Rashid of Dubai has emerged as a very active trans-shipment center in the Arabian Peninsula. He also adds that the success of such enterprises depends on the efficiency of UAE ports and its facilitated policies compared to other GCC states, which usually have more restricted economic policies. (Rizvi, 1993, p.673)

Dubai was also a main inspiration for its neighbors, with most GCC states deciding to develop and improve the economy. According to Hanieh (2011) "Dubai's prodigious development boom is paralleled across the Gulf. All the states of the Gulf Cooperation Council (GCC), a regional bloc of the six oil-rich Arab monarchies—Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates (UAE)—have been transformed over the past decade into a tangle of highways, skyscrapers, and fanciful projects. For much of the 2000s, the GCC was the world's largest market of "megaprojects"— huge construction and industrial schemes that attracted the leading engineering companies across the globe. The world's tallest building, biggest shopping mall, and largest aluminum, plastic, ceramics, and petrochemical complexes are all located or under construction in the GCC." (Hanieh, 2011, p.2)

### **1.3 Literatures on Dubai**

Since Dubai's development started at an early stage, literature about the merchants' role should be examined as merchants are considered to be the first, and main, contributors to Dubai's development. Dubai's development is strongly linked to the early role of merchants along the Dubai coast.

Al-Sayegh (1998) explains that “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. When oil was struck in the mid-1960s and revenue began to pour into the state’s treasury, many predicted a decline in the influence of merchants whose revenues had shrunk, and who had consequently lost some of their power.” (Al-Sayegh, 1998,p. 87) However, merchants’ roles will be modified and discussed more in chapter two, and in chapter five as a factor of Dubai’s development and economic growth.

Describing the city before the oil boom, essentially until the early 1950s, Dubai was not more than a traditionally poor city that depended on fishing and pearling, and suffered from the lack of several life fundamentals. However, in the early 1960s the situation changed due to a serious turning point, a smart, forward thinking leader came into power and decided to change the city and promote overall development. Hvdit (2007) clarifies that “fifty years ago, Dubai was an insignificant, poverty-ridden settlement of 30,000. Today it is a city–state of 1.4 million people expanding its global outreach and undertaking a range of high-profile investments and acquisitions. It competes with the biggest players in selected businesses such as tourism, logistics, port operations, financial services, and construction. Rapid changes to the cityscape and a reported increase in GDP per capita from approximately U.S. \$19,000 in 2000 to U.S. \$33,500 in 2006 are indications of a booming economy”. (Hvdit, 2007, p.397)

Expanding on same fact, Krane (2009) in his book, ‘The City of Gold,’ clarified the early stages of Dubai’s economic growth which started more than fifty five years ago. He states that Dubai was no more than a cluster of shanty shacks used by itinerant Persian Gulf pearl divers. However, the first export of oil in 1969 transformed the entire status of the city. (Krane, 2009, p 51) As a result of the oil boom, Dubai’s economy flourished and improved its

people's lives, transforming Dubai from desert to a more developed city.

The process of development in Dubai passed through several stages, starting in the early 1960s. Certain events related to the abandonment of the traditional economy had taken place; the end of the traditional monarch and the birth of the modernized ruler supported Dubai's development. In other words, the death of Shaikh Saeed, who supported the traditional economy of the region, was a turning point for Dubai. Krane (2009) further urges, "the death of Sheikh Saed and the end of his forty-six-year rule marked the final stage of Dubai's long slumber in old Arabia. Very little changed on his watch, his death came like a catalyst, a dam burst that allowed fifty years of pent-up modernity to flood Dubai." (Krane, 2009, p. 67) Thus, the starting point, or critical historical juncture, for Dubai's development was the death of the traditional monarch, Sheikh Saeed bin Maktoum.

However, the small size of oil was again another event that supported the reform of Dubai's economic development, in fact oil size was the main reason behind the early decision to reform its economic system. Even though oil revenues are considered to be the root of Dubai's development, it was just a strategic tool to begin the new era of development and to achieve Sheikh Rashid's vision.

Again Krane (2009) in his same work about Dubai's development he also emphasized how Shaikha Rashid smart ideas of using Dubai small oil reserve to sustain Dubai economic development, he states that "Dubai has one chance to get it right and instead of following its neighbors, it chose a new route. It invested to diversify its economy. The more Sheikh Rashid poured into ports, industry and airports, the faster the economy grew." (Krane, 2009, p. 80)

The new economic plan was drawn, and it included an enhanced urban environment. Supporting oil as a major factor in Dubai's economic development and growth, Davidson, in his work "Dubai: Foreclosure of a Dream," expresses the story of the Dubai business model



started in the mid-1990s, with oil exports having peaked at about 400,000 barrels a day. The last two sons of the late Sheikh Rashid bin Said al-Maktum were fully committed to continuing their father's vision by building a diverse, multi sector economy to reduce their dependency on hydrocarbons and exposure to the vagaries of the international oil markets. If such diversification did not take place in Dubai, it was understood that the emirate wouldn't be able to have sustainable economic growth for the future (Davidson, 2010, p.9)

In discussing the development of the new economic model of Dubai, Hvdit (2007) illustrates how Dubai's government adopted unique economic models that are different from any other GCC states; he explained that the Dubai model didn't emerge from one day or one stage, rather it passed through several stages to reach the current level of massive development. He explains that Dubai's developmental model does not emerge from one day to the other, but over time and as the outcome of a broad range of contextual features. These features include historical, external, location/size, cultural, institutional, and political factors (Hvdit, 2007, p7). Furthermore, Fazal (2008) discusses the diversification of Dubai and clarifies how the diversified economy enhanced Dubai's development. She clarifies that "during 1971-1980 the urban area expanded enormously as the emirate now had more capital at its disposal, in large part due to the oil revenues. After the oil discovery in 1966 major infrastructure and urban development projects were planned. Investments were made in improving the current road system, building tunnels, bridges, container terminals, trade harbors as well as industrial and residential areas. Likewise financial, business and administrative centers were established in different parts of the city."(Fazal, 2008, p.5)

Discussing the role of the free zones in flourishing Dubai's economy, Kiviani, Parsa and Younis (2003) explain that "in 1985, the government opened the doors of opportunity for private-sector investments in small- and medium-sized manufacturing industries by establishing the Jebel Ali Free Zone. Trade being the primary driver of the Dubai economy,

Jebel Ali and Port Rashid have the largest free-trade zone in the region, housing an ever growing list of international corporations, which use the zone as both a manufacturing center and a redistribution point.”(Kiviani and Younis, 2003 p.11)

#### **1.4 Literatures on Qatar**

Qatar’s economic development experience has been different from Dubai, in which oil revenues and the rentier state model were adopted as the main economic system. Even though Qatar decided to diversify its economy and put great effort creating a smart economic vision, diversifying away from oil and natural resources seems to be very difficult due to certain social, political and economic aspects. Callen et al., (2014) supports this fact as he explains that the GCC tried to impose and implement several policies to support economic diversification for many years. These policies aimed to provide a stable and strong business environment; investing in infrastructure, education, and skills; targeting the development of specific sectors. Yet the experiences of other oil-exporting countries show that it is very difficult to diversify economies that rely on oil. (Callen et al., p18)

The fact of oil exporting countries is also supported by Foley (2010) in his research about Resource curse, he clarified that “within the rentier framework, the autonomy of a government vis-à-vis its population correlates to external rents from oil: the greater the revenues from these external rents, the greater the autonomy, and vice versa. If oil revenues decline, rentier governments must make significant concessions to their populations in order to remain in power. The rentier model and oil have even been used to explain patriarchal structures in the Middle East. (Foley, 2010, p.3)

Agreeing with the previous study by Callen, Rizzo (2014) also clarifies that “in recent years, the government of Qatar has implemented several megaprojects that have provided for

modern urban facilities and increased tourism. However, the implementation of such large-scale projects in the absence of a national planning framework has contributed to Doha's urban primacy and therefore to more traffic congestion, localized environmental impacts, affordable housing shortages, and land value inflation. To confront these issues, since 2005, the Ministry of Municipality and Urban Planning (MMUP) has worked on a new Qatar National Development Framework (QNDF): a strategic document to be followed by a more detailed national master plan." (Rizzo, 2014, p.31)

Yet this doesn't mean that Qatar did not achieve development or enhance its economic growth, rather its development strategies tended to adopt certain strategies that can serve the different interests of the states. Qatar's development was achieved through great gas and oil revenues; a diversification plan was included in the agenda of Qatar, but due to certain factors revolves around the state's resources, social aspects and political interests, which will be discussed in chapter four and five it decided to delay its diversification and achieve its development under the rentier system. Certain reasons explained in previous studies concerning Qatar's delayed diversification shed light on this issue. Fulfilling short-term domestic needs and maintaining the state's stability were major reasons that led Qatar to adhere for a longer time to rentier state economy. Ibrahim and Harrigan (2012) explain that "in the first phase of the development of its North Field gas resources, which got underway in the early 1990s, Qatar focused on meeting its domestic needs. But given the vastness of the resource, Qatar was fully aware that successful exploitation would require exports. Early plans to supply Gulf Cooperation Council (GCC) neighbors through a pipeline grid did not materialize."(Ibrahim and Harrigan, 2012, p.2)

However, in spite of the insight provided by the above literature, the researcher faced certain limitations regarding selecting great size of literatures that can support the research arguments.

The lack of resources and limitations include the following areas:

- Lack of direct comparison studies addressing the different development strategies of Qatar and Dubai.
- The absence of literature on other factors, besides oil size, that encouraged Dubai's leader to adopt different economic system.
- The absence in the literature of information on role of Qatar's political interests in deterring the implantation of diversification.
- Qatar's development strategy wasn't addressed by any researcher before 1990s.

### **1.5 Research Objective**

This research aims to illustrate how political and economic factors worked differently in Dubai, wherein it supported the accelerated process of economic and urban development. At the same time, it will investigate the reasons behind Qatar's delayed economic and urban growth and the main factors that prevent Qatar from matching Dubai's development.

### **1.6 Research Question**

As the literature review in the previous section clarified, there is a clear gap in the literature with regards to Qatar's delayed economic development, and Qatar's development in direct comparison with Dubai. The literature didn't provide a full picture of why Qatar didn't implement comparable development to Dubai. To address this, the following research attempts to answer the question of why Qatar failed to match Dubai's economic development, and to what extent political and economic different factors have led the two states to develop at different rates. This is done by examining the historical context of Dubai and Qatar, and how each state decided to adopt its development strategies for economic growth, the certain political

and economic aspects of Dubai and Qatar, namely the role of elite driven development and the design of the state vision, economic growth factors and development strategies of the both states, and finally the how the traditionalism of Qatar and cosmopolitan nature of Dubai impacted their development strategies.

The main research question: Why has Dubai's economic development progressed at a more rapid pace than Qatar?

Sub Questions:

- What are the motivations behind Dubai's early decision of development and Qatar's delayed development?
- What role did the early state vision play in the different development strategies of Dubai and Qatar?
- What are the different factors behind Dubai's early successful development?
- To what extent does the Socio-cultural landscape affect the development progress of the state?

### **1.7 Epistemology and Methodology**

The shared political and economic foundations, and the disparity in economic development between Qatar and Dubai, have encouraged several economists and scholars to seek subjective knowledge regarding uneven economic development between both states. Thus, international and regional research and studies have addressed Dubai's development and Qatar's economic model by placing both states in comparison to find out the economic, political and social factors alongside the historical facts that control the development models adopted by Qatar and Dubai. In order to understand how and why things took place, this research adopts social constructivism which focuses on the individuals' understanding of the world they live and work in, it relies as much as possible on the participants' views of the situation being studied. (Creswell, 2013) To clarify more, the social constructive approach

allows the researcher to clarify certain changes and factors that supported Dubai development more than Qatar, depending on trusted constructed knowledge by the social world of both societies. Through this approach the researcher theorizes the relationship between the constructed knowledge, facts, and the different levels of economic development, and then analyzes them using the collected exploratory data.

Since the social constructivism approach relies on the people's developed subjective meanings of their experience, this research uses interviews that contain open-ended questions; "Humans engage with their world and make sense of it based on their historical and social perspective-we are all born into a world of meaning bestowed upon us by our culture." (Creswell, 2013, p.10) The qualitative tool is used to reach out to better understanding of the research question. The process of collecting data depends on a mix of online and printed secondary resources, included books by regional and international scholars, local economic documents, journals and recent articles from Gulf newspapers.

The sample used in this research was small, consisting of three interviews with experts with knowledge of the subject from academic and commercial fields. Participants were chosen based on their academic and professional knowledge as well as expertise of the topic covered. Additionally, the process of selecting the participants was done via a recommendation of the research supervisor and on participants' years of experiences in the field. The researcher tried to make more interviews with professional economists from Qatar and Dubai; however, the comparative nature of this research on regional states, the social norms and work confidentiality for some economists were major obstacles in gaining more data from more professional interviews.

Since the research includes social aspects concerning the citizens' perspectives on the liberal economy and modernization, and how it affected their religion and culture, the researcher was willing to design a survey with mainly open ended question to distribute among

Qatari and UAE citizens in Dubai. However, due to the difficulties for the researcher to distribute such sensitive surveys in the two states, the researcher decided to rely on primary data of conducted survey done by social research institute in Qatar. One of the interviews was done with the Research Project Manager Mr. Justin Gengler from the Social and Economic Survey Research Institute at Qatar University, the meeting length didn't exceed 30 minutes. The meeting outcome resulted in getting ready statistics and survey results from online survey resources. Mr. Gengler suggested two online survey tools that can provide the researcher with great and accurate data concerning the social perspectives of Qatari's citizens: Arab Parameter and The World Value Survey. For the purpose of data analysis, observing the different secondary and primary collected data required the researcher to use certain theories in order to explain why events took place. Several terms, conditions and related theories are explained and clarified in the coming chapters in order to highlight why such events took place and what made Dubai achieve faster development than Qatar.

A limitation related to the methodology of the study was about having interviews with professional economists. After the researcher received approval from the economists and agreed on the time of the interviews, both economists decided to withdraw from the research and refused to do the interview due to personal perspectives. Another limitation was about the difficulties to have social and economic surveys done on Dubai's society; this fact was explained by Mr. Justin Gengler, that Dubai's authority doesn't allow surveys of social opinions due to security concerns.

### **1.8 Structure of Research**

The research includes a total of seven chapters. Following this chapter, Chapter 2 illustrates the theoretical framework, terms and the main theory that will be used for the analysis of this research. The third chapter examines the historical contexts of Dubai and Qatar, and what events supported Dubai's early and contemporary development. Chapter 4, then looks

at the state vision and how elites promote the development, the purpose of this chapter is to assess how the vision's design time impacts development, and how it can accelerate or delay the development. Chapter 5 explains development factors including the economic, political factors that contributed to the fast process of development in Dubai and the delayed development of Qatar. Chapter 6 juxtaposes Dubai cosmopolitanism and Qatar traditionalism and how it impacts the nature of development of the both states. Finally, chapter 7 concludes the study and states the challenges and limitations which were encountered during the research process. In addition, it offers suggestions and recommendations for more advanced research in the future.



## Chapter Two: Conceptual Theoretical Framework

### 2.1 Introduction

The comparison between Qatar and Dubai's development strategies spans a number of political and economic factors and includes multiple actors; the research needs to apply certain related concepts and theories that have great connection to the research theme and concern. Thus the chapter aims to examine certain theories that enable the researcher to provide a clear explanation of the different development strategies adopted by Qatar and Dubai. Furthermore, the discussed conceptual and theoretical analysis will work as a background for the discussion parts in the following chapters. However, before discussing the related theories and terms, defining the intentional development type in this study is vital in order to avoid any generalization or confusion that can impact the intended area of the research.

Since the research is concerned with the state's development, the section will discuss the main assumptions that attempt to explain the key concepts within the research, which are development definition, merchants, state competition, development state theory, flying geese, Rostow model of growth, globalization, liberal economic theory and absolute advantages concept by Adam Smith. Next, it will explain how the perspectives of these theories were adopted by Dubai or Qatar, and subsequently influenced their economic development progress. In addition, certain terms and conditions, including merchants and state's competition, will be discussed in this chapter and used selectively in the next chapters to support the argument of certain facts related to the factors behind the different adopted development strategies of Qatar and Dubai. Finally, the strength, weakness, and limitation of the chosen theories will be clarified in order to show how the researcher chose the most

applicable theory for the study.

## **2.2 Development Definition**

Since the research focuses on the massive economic growth and urbanization of Dubai, the definition of development is appropriate for the introduction of this theoretical chapter. Defining the type of development is essential as there are many development types and the study should clarify the meaning of development in its research path. As the study focuses on economic growth, diversification and massive construction projects, the research highlights two development definitions; the first one is the state economic development definition, and the second one is the urban development. State economic development refers to the economic strategies adopted and followed by the state authority in order to enhance or improve the economic system of the state. Lanahan (2014) clarified that “economic development is about positioning the economy on a higher growth trajectory; it’s less uniquely a role of market forces. In fact the economic development is an outcome of long-term investments in the generation of new ideas, knowledge transfer, and infrastructure, and it depends on functioning social and economic institutions beside the cooperation between the public sector and private enterprise.” (Lanahan, 2014, p.1) On the other hand, urban development is about the state’s initiatives to promote more investment activities in the constructive sectors. The urban development theory states that “urban politicians and governing regimes are subordinate to the overall economic principles that force cities to compete to capture new investment and capital.”(Fainstein and Campbell, 1996)

## **2.3 Rostow Stages of Growth 1959**

Applying a proper traditional model of growth is important to understanding Dubai’s and Qatar’s different development models; ideally the researcher should examine several

traditional models and then test it on Dubai and Qatar's development. However, the most applicable traditional model of growth was developed by Walt Rostow in 1959, his growth model is one of the best models that can be applied to Dubai's development process as it consisted of several stages that clarify how the development took place in certain period of time. Dubai passed through certain stages of development that can be understood by the Rostow stages of growth. Although the model tended to express the growth stages in European states, it can illustrate how Dubai developed through certain chronological stages. Yet applying it to Qatar will be different as Qatari development hasn't fully passed through these stages, and there are only about two stages that can be applied on Qatar's case due to the stages' features. Therefore, testing Qatar development using another theory is important. The stages are:

- I. The traditional society
- II. The precondition for takeoff
- III. The takeoff
- IV. The drive to maturity
- V. The age of high mass consumption.

Traditional society (Dubai city before 1971): According to Rostow (1959) traditional society is defined "as one whose structure is developed within the limited production function based on pre-Newtonian science and technology and as pre-Newtonian attitudes towards the physical world" (Rostow, 1959, p.4) Applying it to Dubai, the first stage defines the early economic stage for Dubai. Mainly the period before the oil boom, or the pre-Rashid era, where the city suffered from the absence of tools and devices for development, and at the same time was the witness of many regional wars that encouraged Dubai's city to maintain

its social and economic security by focusing on the fishing, pearl diving and trade. Moreover, the traditional society signifies a simple society that is not exposed to modernized aspects; the society's main knowledge was based on local primitive technology as well as a primitive attitude towards their city. The main feature of this stage is that food production was the most important production of the work force. Moreover, in this stage people's knowledge was limited to their sphere; there was no great access to knowledge, thus why Rostow defined it as traditional society. (Little, 2007, p.14) There was little practice of manufacturing, but still not significant and didn't help the city to experience serious development. This stage can be applied also to Qatar, as Qatar and Dubai's traditional society features were almost the same. However, Dubai's traditional society stage was shorter than Qatar as Dubai decided to reform its economy and develop earlier than Qatar.

Pre-condition for Taking Off: Rostow (1959) clarified this stage as the gradual evolution of modern science and the modern scientific attitude, and the lateral innovation that comes with the discovery of new lands and the discovery of old. (Rostow, 1959, p.4) However, applying this on Dubai would be a little different. The discovery of the new can be thought of as the discovery of Dubai as an independent state in 1971 within the UAE federation. Moreover, it also reflects the discovery of the new Dubai, the modernized city under modernized monarch, Sheikh Rashid Bin Saeed, who reevaluated the small size of oil and reconsidered the oil economy system. This stage is the longer stage as it includes most of the transformation of the city's elements. Moreover, it includes the discovery of oil and the beginning of the rentier state era where it converted Dubai from desert village to more developed state. The discovery of oil was after the Sheikh Saeed era; however the exportation of oil didn't begin before Sheikh Rashid took over Dubai. Moreover, it reflects the role of oil in enhancing Dubai's economy and how the rentier state was the main

economic system for Dubai. This stage also witnessed the existence of important elements, the key for development being the state's vision. Dubai's early state vision started in this stage as it was designed in 1960s by Sheikh Rashid. Furthermore, it also included the reform of certain economic policies; the reformation of policies facilitates the process of introducing economic diversification aspects, such as ports and a manufacturing sector, in Dubai.

Take off (1960s till 1980s): The take off stage is defined by Rostow as the application of modern industrial techniques as a self-sustained, rather than an abortive, process (Rostow, 1959, p.7) The third stage reflects the late 1970s and early 1980s where Sheikh Rashid decided to transform Dubai and improve the development aspects through massive construction and huge urban plans. It witnessed the expansion of more industrialization, manufacturing and port investment. The stage of Take-off also determines the increase in population and the introduction of technology and knowledge. However, the growth in different economic sectors was still limited as the city was still in the beginning of its transformation and oil sector growth still dominated this stage. This stage is the second stage that can be applied on Qatar as Qatar's Take Off stage came directly after the traditional society where many constructions and massive urban development took place, filling great space of the state's territory.

Drive to Maturity- Period of Self-Sustained Growth (1990s- 2000s): the general definition of this stage by Rostow is "the period when a society has effectively applied the range of then modern technology to bulk of its resources." (Rostow, 1959, p.8) The fourth stage reflects the current massive development of Dubai between the 1990s and 2006, which took place during Sheikh Maktoum's reign and continued till the time of Sheikh Mohamed bin

Rashid. This stage witnessed a further expansion of the economic diversification in the city. It also includes the emergence of new economic sectors and commerce. Furthermore, the employment of a higher skilled workforce increases as the result of migrants and labors' regulation reform. In addition, it includes the introduction of a knowledge based economy though several technological projects initiated by Sheikh Mohammad bin Rashid, including the Dubai smart city. Finally, this stage witnessed the emergence of a new environment – the cosmopolitan city - which will be discussed in chapter 6.

Stage of Mass Consumption: This stage doesn't apply to the Dubai case, and Rostow applied it only on the US. Dubai's establishment of social security was before the Drive to Maturity stage and therefore the establishment of welfare system is not applicable measure for Dubai. (Little, 2007, p.26) Thus the explanation of this stage in this research is only to provide a complete and wider picture of Rostow growth model.

## **2.5 Rentier State and Late Rentierism**

Including the rentier state theory is another fundamental aspect for this study as it can clarify why one state decided to shift from one such economic system and what reasons another state decided to adopt it for a longer time. Rentierism and late Rentierism are the common and main economic systems for GCC rich oil countries. Before the discovery of oil, the GCC economy was characterized with fishing and pearl diving, however the oil boom in the 1930s introduced new era of growth where GCC states adopted oil based economies in which exporting oil is the only source for revenues. After the oil boom and the initiative of oil and gas production, oil based economy was known to be the main political economy system of Dubai and Qatar where the nature of political and economic affairs was directed by the monarchy of the state. In short, the monarchs who controlled the political system also control the economy of the state.

## **2.6 Economic Diversification**

Including the diversification definition and theory is essential for this research as it shows Dubai's current model that depends on the mix economy system and the nature of diversified production. Moving away from the rentier economy has coincided with the introduction of diversification where the smart economy features were incorporated into Dubai's economic system. One of the diversification requirements is adopting more liberal economy aspects, and is why Dubai tended to adopt liberal economic policies. Adam Smith, the father of economics, explained Liberal economy as reforms advocate free market economics encouraging free trade with least government interference. These reforms emphasize the role of markets in an economy and seek to reduce the interference of government regulations. (Walter, 1996) Liberalism in the economy classically defined as an attempt to limit the power of the state for the sake of individual freedom. (Hayek, 2012) The major elements of the liberal economy are less state intervention, and free markets. Dubai decided to support the free market, support commerce, and enhance its tourism sector in order to diversify its economy. Its economy is considered to be liberal on the level of GCC states since Dubai still didn't implement full liberal economic features. As a result, certain literatures used to define Dubai's economy as the Dubai model or Dubai liberal economy; this research tended to discuss the theory of liberal economy as Dubai tended to liberalize certain economic policies in order to achieve its development projects.

## **2.7 Globalization and Liberal Economy Theory**

Globalization theory says that Globalization is a process of integrating different world economies. Globalization is integration among the people, government and companies of different countries (Rothenberg, 2003). Expressing globalization theory aims to clarify the influence of globalization aspects in changing the

Dubai development system. Globalization is an international term, mainly related to western aspects in which a state is able to cope and be more open in order to achieve better economic development. Dubai accepted the globalization wave due to its desire to change and become an international hub for tourism and commerce. However, for the case of Qatar, there are some globalization aspects, yet the fear from breaking the conservatism aspects prevented Qatar from drifting too much toward globalization. Since the beginning of the early 1990s, globalization paved the way for a new era in the Arab Gulf that is featured with mixed attitudes and a lot of cynicism toward the global project. The common stereotype of globalization in the Arab mind includes contested meanings and is often rejected for its associations as a western project and a cultural invasion. (Mounajjed, 2013)

The liberal economy opens the doors for a diversified and smart economy where the country can enjoy the production and manufacturing of many different commodities. Diversification normally refers to exports and specifically to policies aiming to reduce the dependence on a limited number of export commodities that may be subject to price and volume fluctuations or secular declines. (Hvidt, 2013) However, Qatar's diversification desire was stated clearly in its vision as well as in many recent literature reviews and economic articles. As noted, Qatar's non-oil and gas economy has also grown rapidly, averaging nearly 20% from 2004 to 2011. But much of this expansion would not have occurred without hydrocarbons. Construction, utilities and downstream transport services (margins from the shipment of LNG) all grew in response to the needs of a booming hydrocarbon sector. Growth in the petrochemical sector and in some energy-intensive activities was made possible by the availability of cheap feedstock. (Ibrahim and Harrigan, 2012)

## **2.8 Adam Smith: Comparative Advantages Concept**

Including Adam Smith's concept of the absolute advantages is essential as it describes



how the states use its advantages such as service or products to achieve its economic growth and development. Smith explains the absolute advantage as “two countries and two commodities. Each nation can produce one good with less expenditure of human labor than the other and thus more cheaply. As a result, each nation has an absolute advantage in the production of one good”(Schumacher, 2012, p.65) This theory will be used in chapter five to show how the different comparative advantages encouraged and directed each of Qatar and Dubai to adopt certain development strategies.

The research appreciates all the previous discussed theories, yet each theory has its limitation. Globalization, liberal economy and diversification theories are useful to explain certain parts and facts of this research, but cannot be fully applied to the case of Qatar and Dubai as both governments didn't adopt fully liberal economy or adopted total globalization economic aspects. Moreover, the cases of Dubai and Qatar need more professional theories that deals with other state aspects such as leadership and state's resources, as well as political and social aspects. In addition, these theories were designed to fit certain western contexts. However, the Rostow growth model is the most applicable theory for this research as it can provide proper explanation about Dubai's development and how it managed to develop faster than Qatar via passing into certain stages. In addition, Rentier state theory is also useful to describe Qatar's development which is based on oil and gas economy.

## **2.9 Development State Theory**

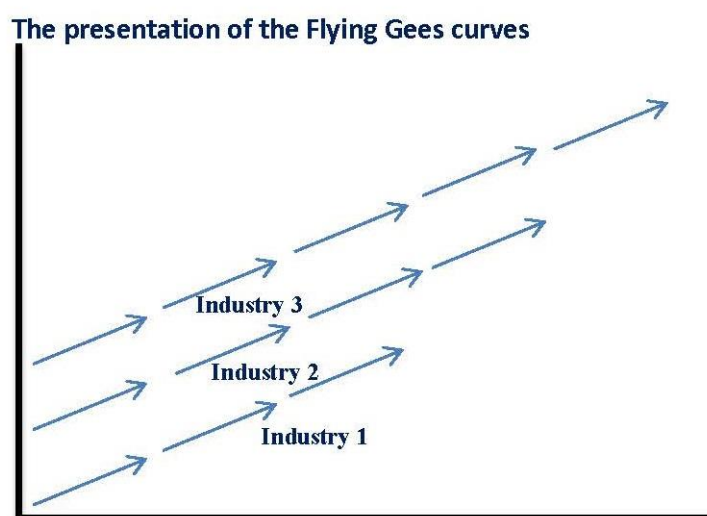
Development state theory is one of the most vital paradigms that can explain the development of small states and city-states like Singapore. Since they share the size feature with Singapore, Dubai and Qatar development models can be also explained by the development state theory. According to Chalmers Johnson the development state theory is

“shorthand for the seamless web of political, bureaucratic, and moneyed influences that structures economic life in capitalist Northeast Asia” (Johnson, 1982). Moreover, Woo-Cuming adds that “it’s often a conceptually positioned between a free market capitalist economic system, and centrally planned economic system, and called a plan –rational capitalist system, ‘conjoining private ownership with state guidance’ (Woo-Cumings 1999). Kasahara (2013) also defines it as “the concept of the developmental state is based on the assumed role of the state in facilitating the structural transition from a primitive/agrarian to a modern/manufacturing society. The developmental state is meant to play the social engineering role (i.e. the role of restructuring the national economic system) for promoting long-term (industrial) development.” (Kasahara, 2013, p.3)

Including the development state theory in this comparison study is central as it can explain the development strategies adopted by both states, Dubai and Qatar. Emphasizing the role of free markets in Dubai and how the development was led by the state can be clarified by the development state model adopted by the state and how the capitalist markets are the most important products of the state led development. For Qatar, development state theory can be understood by how Qatar adopted development with more restriction regarding the free markets concept, it explains Qatar’s focuses on centralized planning which caused restrictions, and prevented more economic growth and diversification from taking place in the state. Moreover, what is important about this theory is about the size of the state and how it can control the development strategies adopted by the government. The development state approach is the best approach that can be used to explain the development of the city states like Dubai and Qatar, yet the path taken by the both states in development was different.

## **2.10 Modern Iterations of the Flying Geese Paradigm**

Flying Gees Paradigm (FGP) is about how the less developed states benefit from the advanced economic states, or more developed countries. This theory has been use to explain the development of many great industrials states like Japan. The model was developed by Kaname Akamatsu in 1935 to explain how Japan developed and become leading power, and how other regional states catch up with Japan and develop. Moreover, Akamatsu’s interest revolved around examining how developing countries can catch up with the advanced states through their common interactions. “The term, flying geese, came from the graphic presentation of three time series curves for a particular product group (or more broadly a particular industrial sector) with the time dimension on the horizontal axis ( see the graph below). The curve that appears first represents the import of a product group, the second represents its domestic production, and the third presents its export. They – in an import-production-export (M-P-E) sequence – all rise and fall forming an inverted V or U shape.” (Kasahara, 2013, p.8)



In addition Kaminska (2016) explained how this model refers to the technology and its impact on industrial development , he clarified that “the ‘flying geese’ paradigm has been evolving as a model for many decades incorporating new products and industries that correspond to relevant level of technology, new phenomena, governmental policy, etc.” (Kaminska, 2016, p.5) Moreover, the model focuses on the role of comparative advantages and

how it impacts the industry of the country. The case of Dubai and Qatar here can be also seen through FGP, since Dubai decided to diversify in an earlier time, it considered to be the leading goose, or alternatively, the leading diversified economic power in the Arabian Gulf. After Dubai became an economic hub, there were great industrial movements in most GCC states including Qatar. Dubai decided to take the place of Japan in this model as it decided to change its economic model and improve its development strategies, however other GCC states started to imitate Dubai model and started to reform their respective political economy policies. Thus, discussing the flying geese theory will provide another vital dimension of how and why Dubai developed faster than Qatar. However, the last three approaches, Rostow model, development state, and flying geese theory are valuable standards for this research. In fact, combining these three approaches will develop great explanatory synthesis and provide complete logical answer for the research question.

### **2.11 Terms and Conditions: The Merchants**

Exploring the merchant role in the Gulf States is important as its strategic geographical location led them to experience the existence of not only the local merchants, but also foreign traders and merchants from India, and Persian merchants from Iran. According to James Onley (2001) “foremost among the Gulf’s transnationals were the merchants who, more than any other group, connected eastern Arabia to the wider world. They lived dual lives, speaking two or more languages and keeping homes in two or more countries. They dominated the import–export sector of the region/” (Onley, 2004, p.59) Peterson expressed the importance of merchant groups in GCC states and he clarified their status, saying that “they represent the top elites in the Gulf states, exercising both political and economic power. In years past, these groups were not only at the acme of the system but were virtually unchallenged. With the enormous changes introduced in what are still traditional states in many ways, these

groups' monopoly or oligarchy has certainly fragmented. But they still retain the preponderance of authority, power and wealth.” (Al-Sayegh, 2006, p.96)

However, the concept of merchants' class was much stronger in Dubai than Qatar, in which the merchants enjoyed a well-defined social position in the states. Ruler-merchant relationships are one of the important relations that are known for their vital role in enhancing the economic status of the GCC states. GCC rulers and merchants are considered to have old relationships back to the pre-oil discovery era. The merchant sector in Qatar differed from other Gulf Arab countries before the exploitation of oil in its small size. Doha was an insignificant port compared with ports in Kuwait, Bahrain, or Dubai. Additionally, the absence of foreigners, the Indians were forced out in the late 1800s, left Qatar the only gulf emirate without Indians until the 1950s, and in the dominant rule of a single family, the Al Thani. Although there were merchants before oil, there was no merchant class as in Dubai or Kuwait. (Metz. 1993) The role of the merchant class in Dubai was stressed and emphasized more in the literature as a result of their good relations with the rulers. The power of the merchant community in Dubai has played a significant role in encouraging the rulers to gravitate toward the different trade activities and commodity. Al-Sayegh (2006) also clarified that “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.” (Sayegh, 2006, p. 87)

In contrast, the role of merchants in Qatar wasn't significant, and that could be related to the state focus on that time. Yet, Qatar has still experienced a great role of traders

and merchants families who currently play a great role in the economic development of Qatar. Merchants' role in Qatar in the contemporary state seems to be more influential than before, which reflects the state's awareness toward the merchants' role in enhancing the economic growth of the state.

## **2.12 States' Competition**

State competition is another term that explains the state's desire to achieve either the same or better condition than another state. The early development of Bahrain and Oman in the early 1940s after the oil discovery motivated Dubai to reform its development system in order to become a great competitor in the region. The notion of state competition was coined by Philip Cemy in connection with his analysis of how of state economic intervention or in its broader form the economic and social activities of the state. The Competition State focuses on dis-empowering the state from within with regard to a range of key tasks, roles, and activities, in the face of processes of globalization. (Cemy, 2000, p.166) State's competition is one of the vital historical contexts that persuaded Dubai to change its economic model and adopt a smarter economy. Dubai experienced two type of competitions, inter/or regional competition and inner- competition. Dubai had experienced inter-competition early when Bahrain and Oman, who are currently the least developed GCC states, used to be characterized with a stronger economy. Competing with Bahrain encouraged Dubai to engage several changes and economic risks by adopting different economy system. This was not only the case for Bahrain, in a wider perspective Iran was also a great competitor for Dubai as it used to be substantial place for trade. According to Seth (2014) Dubai's proximity to Iran, which was a hub for trade in the early 20th century, helped the city establish itself as a port and pearl export center. After the great depression and development of cultured pearls, Dubai's growth stagnated until the discovery of oil in 1966. (Seth, 2014)

The inner competition refers to in-emirates competition where some of the emirates compete. For example, this is mainly Abu-Dhabi which is the richest oil emirate and is trying to be a great economic competitor. In addition, having good economic growth makes the state gain a good reputation regionally and internationally, it attracts the foreigner investors and great international economic powers to invest and locate their business in this state; and is why Dubai decided to enhance its economy and engage any kind of competition. Dubai's decision to become a great competitor was done through strategic plan that included the development of its port, free markets, and a facilitated environment for tourism and mixed commerce. However, Qatar intended to continue its late Rentierism system as it maintained its state -society relation stability. Discussing Rentierism theory is vital for this research as it considered as the core for Dubai's current mixed economy and the contemporary economic system for Qatar.

### **2.13 Conclusion**

The limitation of the chosen theories revolved around its inability to explain the full picture of why, how or where such development took place in this state. Starting with Rostow, his model has two main limitations which are: 1-economic growth and development can happen with the reform of economic policies and not necessary pass through these stages. 2- It was applied to much of Europe and it reflected the state resources of Europe state and not GCC states. State development weaknesses is about its deficiency to provide a full explanation of how Dubai developed ahead of Qatar, it describes how each state adopted its economic development strategies but it didn't explain why Dubai developed earlier than other GCC states and why Qatar didn't catch up with Dubai development at the same time. Flying geese theory was chosen to explain how one state was leading power and developed before other

states, and how it encouraged other states to catch up and develop, however it cannot prove a full answer of the research question.

Despite the limitations of three chosen theories, all of them are considered as supportive aspects for this study as it builds very cohesive understanding for the current difference in the development between Qatar and Dubai and how different state's elements and factors played a significant role in enhancing Dubai's urbanized development and enable Dubai government to adopt unique regional economic system. Furthermore, the selected theories clarified how the state's resources sizes contribute the adopted development strategies of the state. The following chapters will examine further how these theories contributed to the unmatched development between Qatar and Dubai.

## Chapter Three: Historical Context

### **3.1 Introduction**

Clarifying the historical context in research helps in identifying the reasons behind the existence of certain events, or how some changes took place in a state. This chapter aims to discuss how certain events, aspects, properties and elements worked together to develop Dubai's massive urban growth. At the same time, it will show the gap between the different aspects and properties that led to Qatar's late urban development. In other words, it will explain how the state's political, economic and social aspects contributed to the delay of Qatar's development and diversification.

Moreover, clarifying the economic and political conditions for each country is vital for this



research, the nature of these conditions is considered as the steering wheel that controls the development of the country in its urban sector. Moreover, the available resources, either natural resources or other economic elements, play a significant role in developing the historical context behind Qatar and Dubai's different urban development levels. Thus this chapter aims to provide an analytical framework for identifying and evaluating resources and factors by focusing on certain geographical, historical, cultural and economic aspects that shaped the difference in urban development between Qatar and Dubai. Moreover, it will discuss how these aspects were highly associated with the different urban development of the two countries, and how it built Dubai and Qatar's communities over time.

### **3.2 Dubai 1960s- 1970s**

The urban renaissance was one of the earliest city visions where three successive rulers, Sheikh Rashid, his son Sheikh Maktoum, and recently, Mohamad bin Rashid, agreed on restructuring Dubai's traditional urbanization and adopting a more global and modern urban plan. Leadership, a globalized economy, population growth and strong infrastructure were vital steps toward implementing Dubai's great contemporary urbanization boom and economic enhancement. Dubai has been ruled by more than eight rulers, however the last three rulers were the most important as they have contributed to the process of development and urban growth. Dubai's Foreign Direct Investment Office (2016) clarified that the historical context of Dubai's development and how the growth took place in a chronical starting from the era of Sheikh Rashid till the time of Sheikh Mohammad bin Rashid. Moreover, it clarified that when oil was discovered in 1966, Sheikh Rashid used the revenue to achieve his development vision and improve the economy of Dubai. The oil revenues were used sufficiently to develop a proper infrastructure that can support Dubai's economic growth and overall development, including: schools, hospitals, roads, modern telecommunications networks and transport. In addition, in

the 1980s and early 1990s, Dubai took a strategic decision to be a leading international tourism destination through building luxury hotels, remarkable architecture, world-class entertainment and sporting events. (Dubai Foreign Direct Investment office, 2016) The coming paragraphs will discuss the role of these three rulers, as well as their predecessor, and how they changed Dubai.

### **3.3 Dubai under Sheikh Saeed bin Maktoum (1930s-1960s)**

The economic growth and urban development journey of Dubai didn't start before the end of the traditional monarch age, which was started by the death of Sheikh Saeed bin Maktoum Al-Maktoum in 1958. In other words, supporting the traditional economy and rejecting any modern life aspect was a feature of Sheikh Saeed's era. During this era, Dubai was largely dependent on the pearl diving and fishing economies as sources of income, and later on oil revenues, but without any further development in the urban or economic sector. Dubai during the Sheikh Saeed era didn't witness a lot of change; actually his death was similar to a dam burst that allowed fifty years of pen-up modernity to flood Dubai. (Krane, 2010, p.67) Thus during his era Dubai was still living in the traditional society stage as has been described by Rostow. Yet, two major steps were taken during the Sheikh Saeed era that prepared the foundation for the preconditions for taking off stage as been described by Rostow (1959) in the previous chapter, which covers the time between 1930's and 1940's. The first step is the oil discovery in 1936s; the oil boom during Sheikh Rashid's era changed many things and gave the Emirati people new hope for better life style. The oil provided the people with many sources of energy and money where different life's facilities were enhanced and people started to find themselves in jobs other than traditional crafts. Nevertheless, discovering oil wasn't enough to change the traditional thinking of Sheikh Saeed who believed in the traditional doctrine even after the discovery oil.

However, oil concessions signed by Sheikh Saeed with British firm did help the city's

economy but yet the revenues from these concessions weren't significant. The second thing was the establishment of Dubai municipality one year before his death, this municipality has allowed more people to be involved and contribute to Dubai's development. In other words, it had supported Dubai's urbanism plan where many businessmen, merchants and powerful members worked together in order to redraw new structures for Dubai and adopt a more enhanced economic system. In her research, Fazal (2008) clarified the role of the Dubai municipality in enhancing the economic and the urban development of Dubai city. She expressed how the master plan of this municipality group was drawn and how it resulted in significant construction comprise of modern houses and advanced road systems, "Dubai Municipality was established in 1957 and the committee members were chosen among the top businessmen. A master plan was formed which resulted in the appearance of a road system and a new town center. Construction of houses made of concrete blocks also started to emerge. However, the urban expansion continued at a slow pace." (Fazal, 2008, p.11)

### **3.4 The New Dubai under Sheikh Rashid bin Saeed (early 1960s- early 1990s)**

As previously stated, the death of Sheikh Saeed coincided with the founding of modernized Dubai where modern monarchs took over Dubai and demolished all traditional barriers that prevented the city from becoming a global hub. Sheikh Rashid, the father of modern Dubai, adopted a different system than his father. Since his ruling time Dubai has been recognized as a successful modern city, and this stage can be defined as the take off stage. Moreover, when Sheikh Rashid took over Dubai he introduced many modern city aspects with a massive reform plan. He started to change the city from the scratch and he was able to convert Dubai to an advanced city with prosperous foundations. Salama (2015) expressed how the clear vision of Sheikh Rashid enabled him to transform Dubai from a desert village to modern city. He said that "Shaikh Rashid, the eighth ruler from the Al Maktoum family, was loved and

greatly respected by the residents of Dubai, as he ruled the emirate with compassion and with a clear vision of what was required to transform Dubai into a modern city. Driven by this vision, Shaikh Rashid accomplished what many believed to be impossible.” (Salama, 2015)

Certain aspects and properties supported Sheikh Rashid in achieving his vision and modernizing Dubai; oil exports, capital expansion, and economic diversification systems were significant aspects that played a vital role in developing contemporary Dubai. Yet, recognizing the oil economy as an unsustainable source of income was a core factor behind adopting the more diversified system and it supported Dubai’s early development and enhanced the urban growth of the city. The stages of take off took place after Sheikh Rashid ruled Dubai and started to initiate its reform plan.

Adopting a more advanced economic system was described again by Rostow (1959) as a drive to maturity; diversifying the economy revolved around many economic aspects starting with the transportation, seaport and constructions of huge buildings. In the 1970’s Sheikh Rashid started to focus on the development of many transportation methods and tried to enhance the seaport. He achieved it through the establishment of the Jabel Ali port, which is considered today one of the most important ports that elevates Dubai’s global economic status and international recognition. Initiating the port investment was another turning point that enhanced Dubai’s development in 1979. The oil revenues and capital expansion boosted Dubai’s development; Dubai witnessed a vita quantum leap, mainly in the early 1970s, which encouraged the city to initiate many construction plans and urban strategies. Fazal (2008) explained in her research about Dubai’s urban development during Sheikh Rashid era, “During 1971-1980 the urban area expanded enormously as the emirate now had more capital at its disposal, in large part due to the oil revenues. After the oil discovery in 1966 major

infrastructure and urban development projects were planned. Investments were made in improving the current road system, building tunnels, bridges, container terminals, trade harbors as well as industrial and residential areas. Likewise financial, business and administrative centers were established in different parts of the city” (Fazal. 2008, p.5) Furthermore, Sheikh Rashid also focused on industrial changes where many constructions were built and developed, showing how he changed Dubai. He ruled Dubai till 1990, and by then, Dubai was strengthened with many urban and economic aspects that enabled the city to become involved in another modernism journey with another monarch, and thus became even more urbanized and well developed.

### **3.5 Modernized Dubai 1990s-2000s**

Dubai was again fortunate to be taken over by another modern monarch who supported modernity and the postmodern city as well. Sheikh Maktoum bin Rashid’s vision was not different from his father, and he aimed to continue what his father had done, and develop Dubai more and enhance its urbanism. However, after the Persian Gulf War in 1990 and the settlement of the region Sheikh Maktoum was able to attract many businessmen and merchants to settle in Dubai, especially after opening the door in front of foreigners and facilitating entry visas for many people who desired to live in Dubai. His vision to create a global city was achieved through investing in many sectors, including the urban sector that aimed to provide different economic services. “Its aim is to transform Dubai from a regional business, financial and leisure hub into a global center. In the process capital is being invested in the purchase of concrete, glass and steel. Dubai’s skyscrapers rise from the clusters, artificial islands rise from the sea and neighborhoods containing residences and offices rise from the sand” (Fazal, 2008). Even though Dubai’s urban projects started by the early 1980’s, the rapid annual projects buildings mainly started in 2000, continuing till 2004. In 2004, most of Dubai city was covered

with huge infrastructure and massive urban development; Dubai was described as a western city as its landscape and infrastructure nature was very similar to the western developed countries.

In, 2006 Sheikh Maktoum died due to certain health problems, and again Dubai was taken over by another monarch, Sheikh Mohamad bin Rashid Al-Maktoum. By the time of Sheikh Mohammed, Dubai was well established in many economic and development aspects and Dubai's infrastructure was already full of modern and post-modern construction. The growth of urban development of Dubai and economic enhancement continued and was done through a significant vision of Sheikh Mohamed. "Challenges in the Race of Excellence" was one of the successful books published in 2012, and in his vision he examined the previous development experiences of Dubai and drew another plan for development that depended upon more advanced aspects and can place Dubai at an excellent international development level. Sheikh Mohammed bin Rashid was the third successor that believed in the importance of modernizing the city and implementing development in all of the cities' aspects. He followed the same development approach, but in a more advanced way, he decided to reduce the dependency on oil exports by reducing it to less than 30% of the city GDP. In one of his latest public speeches published by Khaleej Times, Sultan bin Saeed Al Mansouri, Minister of Economy, said that Dubai has succeeded in just four decades to decrease its dependence on oil to 30% of gross domestic product, making economic diversification a headline. He further confirmed that oil is vital however, it will not exceed the contribution of more than 20% of GDP by the year 2021(Basit, 2016). In another statement published on Gulf news he clarified that "Oil revenues currently contribute 30 per cent to the UAE's GDP, a drop from 90 per cent in the 1970s."(Salama, 2016) Sheikh Mohammad bin Rashid's role in expanding Dubai development was significant, he supported economic diversity and enhanced the free markets and real estate investments through establishing different real estate building companies. More

growth in city skyscrapers, mall, bridges, and advanced roads systems was noticed during his era, mainly from 2004-2009 and again from 2012 till 2014. Driving to Maturing Stage reflects Dubai under Sheikh Mohamed bin Rashid as he promotes more advanced economic development and encouraged the knowledge based economy through several technological projects.

### **3.6 Qatar under Sheikh Khalifa bin Hamad (1970s- early1995)**

By comparison, Qatar's historical context is considered significantly shorter than Dubai as the modernized emir didn't come to power until 1995. Unlike Dubai which experienced several development periods and stages, economic development of Qatar didn't pass through significant stages due to the focus of the state, and the mentality of the previous monarchs on preserving the cultural and tradition. While Dubai aimed to reform its urbanization and fill its city with huge construction to enhance its economic status, Qatar focused on preserving its conservative aspects and culture. Sheikh Khalifa bin Hamad, the now deceased grandfather of the current emir, was not that different from Sheikh Saeed. Both of them admired the traditional economy and were not encouraged to develop the urban sector in their countries. Regardless of the oil discovery time and oil size Qatar shares with Dubai the oil discovery and exporting facts, however the period Sheikh Khalifa ruled Qatar occurred during the same time as Sheikh Rashid's rule over Dubai. Moreover due to the different interests and beliefs between the two leaders, Qatar didn't initiate its urban growth in the same stage as Dubai. In other words, the 1970s was still not significant period of time for Qatar as the country was governed with a ruler that preferred tradition and prevented the intervention of any western or foreign aspects of life. For instance, Sheikh Khalifa initiated several improvements in the media, education and state's institutions yet the development depended largely on traditional aspects. According to Chan (2016) "Sheikh Khalifa's legacy is decidedly mixed, and his assumption of power was greeted

with much enthusiasm and excitement over many promised changes to come. But as the years wore on, popular expectations were frustrated, especially among the young.” (Chan, 2016) For example, the economic rules and labor legislations used to be more restricted and conservative in Qatar; Sheikh Khalifa wanted to avoid any interference of liberal economic aspects from westerns or foreigners. This hesitation and resistance toward modernization by Sheikh Khalifa leads us to understand that the Dubai starting point was earlier than Qatar.

### **3.7 The Birth of New Qatar under Sheikh Hamad bin Khalifa since 1995**

‘An era of achievements’ was a phrase that was always associated with the name of Sheikh Hamad bin Khalifa, and that is because he changed Qatar and put it as a main political and economic player in both the regional and international maps. Qatar experienced the modern monarch in a late stage, when Shaikh Hamad took over Qatar in 1995. Through a distinctive vision, he decided to demolish most of the conservative aspects in the old ruling system that hindered economic development, and oversaw the construction boom in Qatar. For instance, Sheikh Hamad aimed to erase traditionalist aspects in many sectors. This does not mean that Qatar didn’t experience any development before that, but the development in the urban sector and construction wasn’t that significant before 1995. According to Salama and Gharib (2012) “The first revenues made from oil were mainly invested in the development of infrastructure such as the construction of a regional road connecting the Dukhan field with Doha and the first airport, which was built in the east of the city. Due to the location of the residence of the ruling Al Thani family, Doha became the center of modern urbanization in Qatar”(Salama and Gharib, 2012, p.41) When Sheikh Hamad took over Qatar he aimed to adopt a more advanced economic system and he was able to do so due to the massive oil revenues of Qatar at that time. Even though he didn’t adopt a fully diversified economy system, he initiated many diversification aspects related to real estate, hotels, towers and massive constructions for the



industry needs.

Reducing dependency on the natural resources was in Qatar's vision; however Qatar didn't reduce its dependency, and till this time rentier economy is the primary economic system. Oil, and later on, natural gas, were the main factors behind Qatar's economic growth and urban development where the state tried to attract many companies to invest in Qatar. Certain restrictions related to visas and entry permission constitutes one of the factors that hindered Qatar from investing more in the constructions. Allowing more foreigners to invest and build real estate in Qatar would change its infrastructure, but since it aimed to protect its national identity and cultural aspects, Qatar remains uncertain about its ability to open the door in front of foreigners and provide visas for everyone. This feature made Qatar unable to achieve the same urban growth as Dubai. Focusing on the political side was another element that makes Qatar delay its diversification and reduce its dependency on oil and gas.

In 2013, Sheikh Tamim bin Hamad, the son of Sheikh Hamad replaced his father and continued his father's vision. Under Sheikh Tamim, Qatar's infrastructure continues to grow and it has more massive construction, and especially now, it is fueled by the construction needs of the FIFA World Cup 2022. Sheikh Tamim has also noticeably called on the youth of Qatar to become more involved in diversifying the economy, and is clearly invested in reducing spending by the government. In a latest speech by his highness published by Doha News, Badawi and Khatri (2016) said that "In stronger language, Sheikh Tamim bin Hamad Al Thani urged an end to wasteful government spending, corruption and bureaucracy that inhibits entrepreneurship, according to remarks carried on QNA. He also urged greater efficiency in government and pledged to stimulate the private sector, as Qatar prepares to roll out its new five-year plan." (Badawi and Khatri, 2016) The state was able to progress in achieving Shaikh Tamim vision through modification of several laws and polices such as employment assessment reform, Health insurance regulation and scholarship polices amendment.

### **3.8 Summary Conclusion**

Finally, Dubai's historical context witnessed a vital existence of three successful monarchs who agreed on the same vision and welcomed modernism in order to change Dubai city and convert it to global hub. The existence of modern monarch in the early stages in 1970s supported Dubai's urban growth and economic diversity, which can partially explain why Dubai experienced more accelerated urban growth and economic development than Qatar. By the 1970s, Dubai's ruling sheikhs understood the limitations of their small natural resource base. The comparative paucity of oil wealth led Dubai's rulers to steer the state into other economic sectors much earlier than neighboring states. All of these events have strongly clarified how Dubai became the Dubai of today and how this massive urban growth was achieved through the last several decades. It should be mentioned that the state's vision and leadership which will be discussed in chapter four were the most important elements that converted Dubai to become one of the most powerful economic destinations today.

On the other hand, Qatar's historical context was long, and "Modern Qatar" is only considered to have started since 1995 as Sheikh Hamad was the first Qatari emir who initiated the modern city and supported the development aspects economically and politically. Qatar's significant focus on politics, the restricted visas procedures, and late modern leadership were main factors behind Qatar's delayed urban growth and development. The coming chapter will discuss in details how the leadership and state's vision structure controlled the urban growth and economic development in each country.

## Chapter Four: Elites Driven Development: State Vision

### **4.1 Introduction**

Much of the city or state's development success is usually attributed to the vision of the state's leadership. Leaders' development strategies are important in determining the future development of the state. The strategic plan of the state vision helps the state to accomplish its different goals by using certain factors and resources; it works like a drive that pushes the government to implement its projects within a certain period of time.

Discussing the Singapore model and development strategies will help in providing a clear idea about the importance of the leader's role in promoting the development of the state; Singapore is a useful model for understanding Dubai and Qatar mismatched development. Singapore's development has been always an example for successful city state; its development

strategies designed by Lee Kwan Yew enhanced the overall development and economic growth of Singapore. When Singapore became independent in 1965, it was a poor, small state, tropical island with few natural resources, little fresh water, rapid population growth, substandard housing, and recurring conflict among the ethnic and religious groups that made up its population. Today, Singapore is a global hub of trade, finance and transportation. Its transformation ‘from third world to first’ in one generation is one of Asia’s greatest success stories. (Yew, 2000) Lee Kwan Yew’s approach of development state is one of the famous state’s development approaches; it aims to attract foreign capital through deregulation and liberalizing the state’s economic rules. His vision resulted from his deep recognition of the lack of many important state’s elements such as economy, defense and security and thus he designed his vision with certain strategies that can boost all state’s important sectors. (Hussain, 2015) Thus recalling development state theory in this research is useful to understand the differences in development strategies between Qatar and Dubai. Singapore’s story is very much a close form of Dubai’s development case, where the lack of or small size of oil, pushed the leader to adopt certain strategies that can enable his city to develop.

Before explaining the vision concept, certain questions like “why vision is important? How can state vision help to develop a clear analysis for this research?” should be clarified and answered. Manasse (1985) defined vision as “the development, transmission, and implantation of an image of a desirable future as an essential.” (Manasse, 1985, p.150) The varied face of development between Qatar and Dubai can be explained through different facts and perspectives and one of the facts is the state vision and its role in enhancing the development pillars in Dubai. The state vision has been an early crucial element that placed Dubai in an advanced stage of evolution over Qatar. There is a strong connection between the state vision and leadership, from the researcher perspective whenever the state leader can draw a smart strategic plan for his state, he can insure his state’s development and growth, or at least a foundation for it. In addition, having strategic direction and goals for the state can facilitate the

state's future and ensure its progress; it also defines the state's strengths and weakness or defects from an early stage and supports the state to avoid any future obstructions or obstacles.

Even though Qatar and Dubai share many political and economic aspects that can make the both countries achieve the same massive economic development, the existence of an early and clear vision pushed Dubai ahead of Qatar in various forms of economic and urban development. However, there are certain events and elements that either force the state to change its development approach, reform its economic system, or encourage the state to maintain its economic model. In fact, the small size of oil and the threat of unsustainability of economic growth encouraged Dubai's leader, Sheikh Rashid bin Saeed to draw on other economic strategies that can ensure the economic growth of Dubai, and thus Dubai's 1970s vision aimed to shift from oil economic system to global diversified economy. His approach of development state was designed depending on a lack of resources and the resources limitation that state suffered from. Yet, Sheikh Rashid's strategies of developing Dubai and enhancing the economy depended on the rentier system where the oil revenues were used to enhance Dubai environment, and develop proper infrastructure for a globalized economy. Moreover, the inheritance of the vision and its expansion through the different eras of the last three Sheikhs have contributed to the success of the implementation of the vision and supported Dubai's economic and urban development.

Depending on the previous fact mentioned earlier about events and elements that encourage the state to maintain its economic system, Qatar's rich natural resources of oil and gas encouraged the state to maintain the oil based economic system. Qatar didn't experience any events related to the limitation of the natural resources, and hence the government wasn't motivated to shift from the rentier state system or adopt a different development approach. Moreover, the concept of state vision in Qatar history wasn't so relevant and the literature didn't really document or express any state vision for Qatar during 1970s; there was a serious lack of

information concerning Qatar's vision during the reign of Sheikh Khalifa bin Hamad. The reason could be that because Qatar's experienced rapid economic growth in 1970s was due to the vast oil and gas reserves and Sheikh Khalifa didn't aim to develop any future vision, unlike his successors.

The previous chapter had explained how the vision of the last three sheikhs of Dubai enabled Dubai to have a good foundation and well-prepared background to be the Dubai of today. However, this chapter aims to explain the earlier vision of Dubai starting with Sheikh Rashid bin Saeed till the current vision of Sheikh Muhammed bin Rashid and how these visions were applied in reality through certain supporting factors. In a detailed manner this chapter will explain the role of the state's political leadership in designing a successful state vision, and how the difference in leadership's interests and focus changed the state's development time and process. It will also clarify Qatar's historical context behind its delayed development process and how the state vision was introduced to the state by Sheikh Hamad bin Khalifa Al-Thani. Furthermore, since the state vision is connected to the leadership and its policies, the chapter will explore a political comparison between both states.

Finally, the chapter will also refer to the theories of growth by Rostow, development state model, flying geese and other terms that were mentioned in chapter two to determine how these concepts contributed to the process of development in Dubai and how it made Dubai city evolve differently from other GCC states, including Qatar. Rostow development model will be used to analyze how the state vision was designed and how his stages of growth describes the time of implantation of Dubai's and Qatar's vision. However, development state theory will be clarified through explaining the designing of vision of Dubai through the leadership, and finally, the flying geese theory will be shown through Dubai as a leading power and how Qatar as a regional state started to imitate Dubai's development and decided to reform its development strategies.

## **4.2 Dubai State's Vision: From 1960s till 2006**

Dubai's success story was a result of great leadership with a great vision; the state vision made by Dubai's Sheikhs at an early stage placed Dubai onto a more sufficient development path and helped it become one of the most important economic centers in the region. The story of Dubai's vision started a long time ago, mainly in 1970s and it was designed and controlled by three subsequent Sheikhs who believed in the importance of development, Sheikh Rashid bin Saeed and his sons Maktoum and Mohammed. State vision made by Sheikh Rashid is considered to be the key vision as it was the primary reference for the later state visions made by Sheikh Maktoum and Sheikh Mohammad bin Rashid. Even though his vision was not directly stated in a specific book, many books and studies on Dubai and UAE history have expressed the great vision of Sheikh Rashid Al-Maktoum through his action and his achievements. In addition, 'Flashes of Thoughts' by Sheikh Muhammad bin Rashid also was a great resource where he explained lessons from the first man behind Dubai's current massive development. The early vision of Dubai was built on the concept of development and economic growth; it aims to implement the improvement in economic and social life and to introduce the modernization aspect to Dubai city. Through the smart vision made by Sheikh Rashid bin Saeed, Dubai has managed to exploit its resources and its geographical features to enhance its economic and urban development. It devoted its effort to move away from the oil based economy and instead flourish its industries and investment in different sectors. Dubai's geographical feature, leaders' personality and oil revenues were the main factors that encouraged Sheikh Rashid to create a significant successful vision for Dubai. Dubai's location helped it to be one of the main export centers as it located in a strategic place where many continents such as Africa, Asia and Europe meet with it. Leader's personality is about the features that are owned by, and unique to, the leader and can encourage him to initiate his vision. For example, Sheikh Rashid's big thinking, creativity, adventure and optimistic nature have made him overcome different challenges in order to develop and modernize Dubai.

Furthermore, early oil revenues were also vital factors where Sheikh Rashid invested great oil revenues in order to reform Dubai's infrastructure, create more jobs and create the required environment for the diversified economy. Sheikh Rashid's vision's main themes revolved around demolishing the traditional state's aspects made by oil economy, diversifying the income source, introducing aspects of modernization and reshaping Dubai's economic position on the global economic map. According to his vision, Sheikh Rashid designed his plan that included the diversification aspects and liberal economic policies. These themes were discussed in detail in Krane's works on Dubai development, where he discussed the early stage of development made by Sheikh Rashid, and explained that the plan for building the future which was drawn by Sheikh Rashid in the late 1960s had included a reconsideration of the oil economy; he believed that his vision and his goal of developing Dubai can't be achieved with oil revenues only. (Krane, 2010, p. 61) In addition, the modernization concept welcomed by Sheikh Rashid had gradually facilitated the diversification of the economy and diversifying the city revenues. Modernization concept encouraged the state to adopt more free economic laws and benefit from the geographical features of Dubai through establishing Jabel Ali port in 1979, and opening the door in front of different sea trade functions. However, being a port city was not enough for Sheikh Rashid, he wanted Dubai to become more than a port, he wanted to place Dubai as the major shipping point for different industries (Krane, 2009, p.77) The case of Dubai can be clarified by the development state approach where Shaikh Rashid considered the lack of resources, mainly oil, and started to adopt different economic and development strategies that could insure the enhancement of the Dubai economic and development.

The successful vision of Sheikh Rashid has gone through different stages that can be described by Rostow development model which was mentioned in the second chapter. The vision passed through several preliminary stages controlled by chronological schedule that can ensure the completion of the state's objectives. However, understanding the economic and



urban development of Dubai requires deep analysis of the vision's ideas, and what kind of factors and concepts that Sheikh Rashid considered before deciding to change and reform Dubai city. Dubai state vision was built on the desire of changing the economic system and reforming the state economic and trade policies, which can explain the liberal economic policies that were adopted by Dubai's government in an early stage. Chapter two explained the liberal economy and how it related to Dubai's economic model; liberalizing certain economic policies was the first step in Dubai state's vision and Dubai's objective of development. However, it's important to clarify again that Dubai's liberal economy was unique in a way that the state intervention into the economic practices was high. Liberalizing certain economic policies and demolishing the traditional economic aspects have paved the way for the economic diversification and economic growth. Sheikh Rashid's first port project was the first sign for economic diversification in Dubai city. His tendency to change the traditional economy and implement the diversified economy encouraged him to deal with international traders who came for a work in the Middle East; he decided to cooperate with them in order to achieve his vision. (Krane,2009, p.43)

Even though oil revenues were a vital element in enhancing the lifestyle of Dubai's people through providing employment opportunities and facilitating the quality of life through electricity and clean water; the full dependency on oil revenues was not accepted by Sheikh Rashid. In other words, the early consideration of the possible depletion of the natural resources made Sheikh Rashid think of changing the nature of the society in order to make it more productive. And because Dubai was trying to reduce the dependency on the natural resources and encourage other different industrials works in the city, Dubai's name was linked to many great western cities like Venice. Venice in early thirteen century tended to lack the full dependency on the natural resources and rather support the industries in different fields. Furthermore, Venice's government initiated many laws that supported the free trade and

support the different type of investment in order to enhance its economy and improve its city.  
(Krane, 2009, p.12)

States' competition and merchants which were mentioned in the second chapter and will be mentioned again as factors in the next chapter were crucial elements that supported Dubai vision and development. State competition was one of the important factors behind Dubai's current diversified and development economy. Looking forward to imitate the development system of other countries, whether in the region or outside world, was a vital element that pushed Dubai's emir to adopt a global vision that accelerated the development process of Dubai city. Imitation was not the only influence; Dubai was also influenced by the need for competition. Competition with other regional states influenced Dubai, and becoming a vital competitor was another feature that enhanced and supported Dubai's leaders' visions. Even though Bahrain and Oman are considered to be the weakest economic systems among GCC states, these two countries were major economic actors where traders from India and Iran used to settle in these two states and invest various goods such as spices, materials and gold. In his study about the commercial activities of Oman and Bahrain, Al-Naboodah (1992) explained how Oman's location attracted many commercial relations, saying that Omani commercial centers enjoyed trade relations with other centers located in the Gulf, as a travelling through Indian Ocean and Gulf waters. These trading ships used to break their journey either in Suhār or restock with food and water supplies before continuing. He further added that Bahrain was also another important trade zone due to its geographical location near the Persian Gulf, its location acted as crossroad for many traders from the region. (Al-Naboodah, 1992, p.82&84) It was not only the presence of Bahrain as a key regional competitor that pushed Dubai's government to shift from the traditionalism to economic diversification and development. Sheikh Rashid's brilliant thinking prompted him to compete with Bahrain instead of investing his oil revenues through Bahrain different trade's initiations. According to Krane (2009) "Sheikh Rashid wasn't going to invest 500\$ million of Dubai oil revenues in Bahrain, Dubai main competitor. He was

intent on diversifying his own economy. His answer “Why don’t we compete with them instead?” (Krane, 2009, p.77)

Beside state completion, merchants’ role and ties with monarchs have played a great role in developing Dubai’s economy and their role can be divided into two periods of time. The first period was in the Pre-Rashid era when an event by a group of merchants was against Sheikh Saeed bin Maktoum’s traditional regime and decided to organize against him in order to enhance the economy and the trade of Dubai. Merchants’ opposition resulted in a positive outcome where Sheikh Saeed agreed to allow some group of merchants to work on enhancing the trade in Dubai. In October 1938, four hundred merchants from various families, including the ruler’s, tried to impose a set of political and economic reforms on Sheikh Saeed. The merchants aimed to develop a consultative Majlis that allow them to contribute to the development of the city. In addition, the merchants aimed to enhance the city environment through several infrastructure projects and huge buildings that can serve the trade sector of Dubai. Furthermore, the opposition meant to increase economic activity for the merchants, especially after the decline of the pearling trade and fishing (Ramos, 2009, p.10) Another fact about merchants is that some of the ruling family members were merchants and worked in the trade field, they contributed to the process of development and economic growth through their different trade aspects and their great ties with Sheikh Rashid. According to Rostow stages features, Dubai state vision was in the precondition to take off stage as it was the key elements for reform and develop Dubai.

In 1990, Sheikh Rashid’s death was announced and Sheikh Maktoum took over Dubai to continue the development plan of his father. Sheikh Maktoum’s personality was similar to his father’s where he accepted the modern life aspects and desired to develop Dubai. Again his vision was not titled in a specific book, but his brother’s vision, Sheikh Mohammed bin Rashid,

has included certain historical context that can clarify Sheikh Maktoum's role in developing Dubai. In fact what can be understood from his vision is that Maktoum was less interested in the day-to-day operations of governing Dubai, which he left to his younger brother, Mohammed. Sheikh Mohammed became a de-facto ruler even while Maktoum was alive. Maktoum's death only made the prior ruling arrangement official.

Tourism development through several great tourism projects was one of Sheikh Mohammad's plans during Shaikha Maktoum's era, where he focused on enhancing several facilities that can attract more global people to Dubai and at the same time grab more valuable investors who desire to have great projects and work in Dubai. From 2000 till 2004 the construction development in Dubai has expanded to cover great space of Dubai's city, the economic growth accelerated and so did the investment level. More development projects were planned to support and encourage urban growth. Efforts were also made to attract tourists from all around the world. In 2004 the emirate covered an urban area of 605km<sup>2</sup> and the government is planning to add another 501km<sup>2</sup> by the year 2015. (Fazal, 2008, p.6)

The development strategic plans continued and expanded when Sheikh Mohammed bin Rashid came into power in 2006. As been mentioned in chapter three, Sheikh Mohammed bin Rasheed Al-Maktoum's vision was one of the best visions that gained a huge reputation globally; this fact was stated indirectly in several newspaper articles. Rahman, a journalist in The Gulf Today Business, states that Sheikh Mohamad bin Rashid's visionary leadership gained great resonance in the media, his smart vision transformed Dubai to one of the leading cities in the world, and he helped his city to adopt a unique development path that the rest of the world wants to replicate. (Rahman, 2016) Sheikh Mohammed bin Rashid main focus was directed toward expanding Dubai's economy; he tried to expand the development strategies through initiating more infrastructures.

Moreover, the report of the United Emirates Yearbook (2008) illustrated the establishment of a number of infrastructure projects and further expansion of free zones during 2006/2007. These projects are a result of a detailed strategic planning for economic growth set by the government. (United Emirates Year Book, 2008) What should be mentioned is that Sheikh Mohammed bin Rashid role wasn't limited to his era, he was vital person since 1970s, he used to contribute to the development plan and direct huge development projects in Dubai. In fact, Sheikh Mohammed bin Rashid's role in developing Dubai started since the time of his father, in his vision he mentioned how he was lieutenant to his father and how he used to direct and oversee some development projects such as the launching of Emirate airline in 1985. He also was a vital contributor to his father's plan such as the establishment of Rashid Port in 1972. Moreover, even when Sheikh Maktoum was Dubai's ruler he gave Sheikh Mohammed the power to approve some of the development projects, like merging Jabal Ali, the free zone and Rashid port to form Dubai ports authority. These were all clearly mentioned in Sheikh Mohammed bin Rashid's vision book. He expressed how he was able to control and give the approval for constructing The Palm Island (Al-Maktoum, 2006, p.14)

Sheikh Mohammed bin Rashid role in designing Dubai's vision revolved around improving and developing the previous vision of his father, he aimed to expand the concept of development to includes all sectors of the state and improve some of the projects that were set in his father era. Enhancing commerce, tourism, real estate's investments and technology were important elements in his strategic plan; he aimed to introduce a knowledge based economy through several professional projects such as Dubai Internet city, Dubai Smart Government Department and the Sheikh Mohammed bin Rashid Space Centre. Knowledge-based economies refer to the economies which are "directly based on the production, distribution and use of knowledge and information". (Organization for Economic Co-operation and Development,

1996) In his vision, Sheikh Mohammed mentioned his goal from Dubai's smart city initiative, he clarified that enhancing technology can simplify everyday living and can make the people's life easier, efficient and more convenient. (Al-Maktoum, 2006, p.44) His vision was a great resource for Dubai's previous sheikh's vision and how they managed to implement their strategic plan within certain time.

### **4.3 Qatar State Vision**

To provide a fair analysis, this research tried to look at Qatar's vision during the 1970s so it can explain the difference between Qatar and Dubai at that time and provide clear analysis. Before explaining Qatar's state vision and the role of elite in driving development to his country, Rostow stages of growth can't be fully implemented on Qatar as Qatar didn't pass through all the stages. Rather its development process came as one single stage (after the traditional society stage) that included all of the reforms and changes. In addition, certain concepts such as merchants and state competition did not exist in Qatar's case and thus their analysis would be different from Dubai.

Qatar's vision in the 1970s wasn't mentioned in any literature or previous studies, the concept of vision wasn't even defined in Qatar's government or society. In fact, Qatar didn't have development strategies before 2011 and later on the emergence of 2030. Under Sheikh Khalifa, Qatar experienced some development that covers some of the state sectors and state's administrative and ministerial organs. Moreover, development aspects have also included development in areas such as the social structure, media, sports club and universities. Comparing with its status before 1972, Qatar had witnessed a modern revival including the economic sector where Sheikh Khalifa boosted the rentier economic system through increasing the size of oil production and export the first shipment of natural gas in 1991. (Alyazidi, 2011, p.53)

Yet, Qatar didn't manage to adopt the proper face of development, especially in the

economic and urban sectors. Sheikh Khalifa tended to maintain the oil based economy and to develop Qatar within the rentier system through exporting natural resources. He believed in the power of the oil economy and that didn't encourage him to attempt a change and adopt more advanced development system. In other words, the oil boom gave Qatar a sense of power and encouraged its monarch to keep the oil based economic system that was dependent on oil revenues as main income source; from 1972 until 1994 Qatar economic development initiatives were limited to the rentier trade scope and the increase in the natural resources exports.

However, despite the policies of engaging in natural gas industry, other ideas related to the traditionalist state in terms of buildings and social values that control or prevent the modernization were mostly demolished when Sheikh Hamad came in power in 1995. Qatar has experienced an extensive change and great shift in most state spheres "Qatar too has experienced a remarkable socioeconomic and urban transformation since Shaikh Hamad bin Khalifa Al Thani came to power in 1995. The country enjoys unique prosperity and exceptional economic and urban progress secured by its substantial hydrocarbon resources, which provide a solid foundation for its economic profile. The export of gas and related products still accounts for half of the country's GDP, and provides Qatar with abundant wealth." (Scharfenort, 2012, p.211)

The shift from Sheikh Khalifa to Sheikh Hamad's era expressed the difference between the father and the son in terms of accepting modernity and the desire to develop and change. Moreover, the concept of development and evaluation wasn't introduced to Qatar before his era; he also welcomed the modernization aspects where he tended to change Qatar's traditional infrastructure to a more developed one. Sheikh Hamad was the first person who put a long term plan and strategic vision for economic and political development; he has presented the neoliberal policies to prepare the state for different development stages. The neoliberalism aspects included the trade and economic sectors as it aims to support the free trade and private

sector of the state. In order to implement his vision, he processed certain changes related to the economic and trade policies and liberalized some of rules that can encourage the diversification in his state. He aimed to diversify Qatar's economy and diversify the source of income through enhancing the industrials and investment sectors. He also succeeded in implementing great development in the economic, political and social sectors. The wave of development and evolution in Qatar can also be explained by the flying geese theory as it was one of the regional states that was affected by Dubai's development and started to reform its development strategies to catch up with Dubai.

Yet the rentier state political power and benefits didn't encourage Qatar to take an earlier decision about reforming its economic structures or adopting a fully diversified economic system. There are certain reasons that can explain why Qatar didn't reform its economic system or decrease its dependency on oil and natural gas exports, these reasons can be clarified first from Qatar's oil and gas reserves size and second is leadership's interests and desire. Qatar's leader's interests and desires were directed toward gaining political interests and a powerful political position in the international relations arena. The oil and gas can determine the status of a state in the international relations rank, where a country can gain power and play an effective role.

Though Sheikh Hamad's era was a turning point where he managed to transfer Qatar to modern state, his desire and political focus made the state depends more on its natural resources as a source of power and at the same time a tool to attract economic investor to his state. Despite the fact that Qatar's vision included a decrease on the oil and natural gas dependency, Qatar wasn't able to achieve such things due to two major factors: the lack of the economic diversity resulting from the restricted economic rules, and second is the leadership political focus. Political branding is a major motive behind Qatar's high dependency on oil and natural gas to keep its political power in global international relations. Moreover, Qatar was, and is



still, not ready to adopt fully diversified economic system due to its fear from losing its political power in the region. Even though Qatar decided to design a new state vision where economic pillars would depend less on the natural resources, Qatar's real development plan was dependent on the natural resources revenues. Natural resources, mainly natural gas, are considered to be the foreign political driver for Qatar where Qatar can sustain its political influence in the arena of international relations. Since the discovery of the north field, Qatar has stormed the gates of the natural gas global markets, and become one of the main players on the energy markets; it was placed as the leader of the global energy trade in 2006, when it overtook Indonesia. (Dargin, 2007, p.141)

Another reason behind Qatar's inability to implement same level of development as Dubai is that implementing of full face of development in late stage is not easy for a conservative society; the state society relation can be harmed if the development process tended to cover many state aspects and impacts many cultural and religious concepts. For a long time, Qatari society lived with conservatism believes and aspects and any change that would impact their social life can cause social chaos and dissatisfaction of people. Moreover, the rentier economy supported Qatar's development and at the same time supported the state's society relationship where the citizens are satisfied from the authority and its way of distributing the oil revenues to the people.

In order to provide an equal explanation, the research tried to look at the factors that enhanced Dubai's state vision and development to see how they played a role in Qatar's development. Merchants and state competition factors which were vital elements in achieving Dubai vision were weak concepts in Qatar's state vision and state development. Additionally, the term of state competition was largely non-existent during Sheikh Khalifa's era; he was not looking to compete with any regional state. In addition, merchants' role was so limited in Qatar

even though they were occupying Qatar long time ago; their power was limited to their trade and to the interests associated with the elite side. In addition, merchants' role as important role in developing Qatar wasn't mentioned in any literature, except the fact that there was a mutual interest between the merchants and the elites in the pre-oil era, as the merchants used to support financially the elite and in return they received protection.

However, Qatar 2030 vision, which was released in 2007, was the first state vision that included several pillars built on a comprehensive development, and it shows how Qatar's vision and goals were modified and how the state government aspiration changed. "Qatar has ambitious aims: to bring all outlying towns and settlements together, to offer a modern, prosperous urban culture featuring breathtaking stadium designs, accompanied by a new metro and railway network and a much-expanded international airport and port, as well as bridging the gulf between Bahrain and Qatar. These objectives are all part of the Qatar National Vision 2030 (QNV 2030), a comprehensive long-term plan agreed in 2007 that visualizes Qatar's development up to 2030." (Scharfenort2012, p.210) This vision can define Qatar's projects and goals till 2030; it clarifies the mission and the effort that Qatar's should do in order to achieve the desired development and economic growth.

Given the information above, the comparative finding of the previous discussed paragraphs can be understood as:

- The time of vision was crucial in the process of development and how it made Dubai achieves faster development than Qatar. What can be observed is that the elites' interests and the design vision time impacted the development of both countries, the elite background and his interests were vital elements in designing a successful state vision and that was the case with Dubai.
- The historical events and state's elements role in determining the state's development approach. In Dubai, the small size of oil encouraged the leader to adopt more diverse

economic system, while Qatar's rich gas and oil reserve encouraged Qatar's leader to keep the hydrocarbon export economy.

- Dubai's modernized monarch who ruled Dubai at an early stage enabled Dubai to experience and to be exposed to many renaissance aspects. Sheikh Rashid's early desire of modernizing and developing Dubai made him design successful state vision that included a plan for an overall development of the city. Moreover, his son Mohammed bin Rashid who contributed to the process of development since his father time, have also implemented an advanced development strategies and continued the vision of his father through adopting more enhanced economic development thoughts.
- Many supportive factors have strengthened Sheikh Rashid's vision and contributed to the success of the implementation of the development: The leadership personality, early recognition of the limits of oil reserves, the welcoming of modernization aspect, merchants role and state competition.
- The leadership interests and focus are other elements that impacted the design of the state vision. Dubai's leaders' economic direction encouraged them to design successful economic strategies. In contrast, Qatar's desire to position its country as main political player in the global political world has made her concentrate on the elements that can enhance and elevate its political position. It actually increased the dependency on the oil and natural gas. Being the mediator for political conflicts was one of Qatar's focus where sheikh Hamad bin khalifa tried to elevate Qatar's political position on the map.
- The late stage of modernized monarchs and the desire to protect the conservative society of Qatar made Qatar delay its vision of diversifying economy.

#### **4.4 Different Factors Determined Stat's Leaders' Vision: Political economy comparison between Qatar and Dubai**

Leadership vision is an important factor behind Dubai's accelerated development, this

chapter tried to provide a detailed analysis about how Dubai and Qatar’s elites promoted and derived the development through their vision. However leader’s politics is one of the key influences that encouraged the leader to design his vision and promote advanced development strategies, comparing the politics and the political economy practices of Dubai and Qatar will add more comprehensive understanding of how Dubai was able to develop in an early stage and became distinctive economic center in the region. The following table will explore a political economy comparison between the both states through stating the political practices and economic aspects of the Sheikhs and how it was adopted by the Sheikhs of Dubai and Qatar, moreover it will show how the politics was changed through the decades when the :

<b>(Dubai 1960s -1990) Shaikh Rashid bin Saeed Al-Maktoum</b>	<b>(Qatar 1970s -1995) Shaikh Khalifa bin Hamad Al-Thani</b>
<p>Since 1958 Shaikh Rashid Bin Saed Al Maktoum adopted more free politics that is distinctive from the region and aimed to lead his city toward development world. Furthermore, his politics designed to flourish the economy of Dubai and via port investment and free market polices he was able to transfer Dubai to an important commercial hub. In its report about the founding Sheikhs, The National UAE online News (2010) described Shaikh Rashid’s as the father of modern Dubai , furthermore it added Sheikh Rashid’s goals of developing and modernizing Dubai through stating his</p>	<p>Like most GCC states at that time, Shaikh Khalifa Bin Hamad Al-Thani tended to keep conservative politics that depended on the rentier state. Moreover, his politics was conservative in a religious way as he aimed to protect his states from any western or foreign intervention that can harm the cultural and traditional norms of the states. This fact is supported by his Wahabism inclinations. The Telegraph online news (2016) expressed Shaikh Khalifa bin Hamad era and his role in transforming Qatar into more advanced state with proper institutions such as health, education and media. He also</p>

<p>words “My grandfather road a camel, my father road a camel , I drive a Mercedes, my son drives a land rover, and his son will drive a land rover.” (The National UAE , 2010) what can be understand is that he is willing to demolish all the traditional old state perspectives that was adopted by his father in order to promote new aspects of state development.</p>	<p>increased the wealth of his state through exporting great amount of gas and oil , yet his Wahibism tendency made him adopt more traditional and conservative politics and be away from any external ideas or thoughts that can harm the society tradition. Thus Qatar in his era was limited to traditional economy with slight progress in certain facilities(Telegraph, 2016)</p>
<p><b>(Dubai 1990 – 2006) Shaikh Maktoum bin Rashid Al-Maktoum</b></p>	<p><b>(Qatar 1995 - 2013) Shaikh Hamad bin Khalifa Al-Thani</b></p>
<p>Shaikh Maktoum bin Rashid’s politics weren’t different from his father; he continued the unique free politics especially in the economic sector and expanded the investment in the real estates. He also sought behind more advanced development through enhancing the economic policies and</p>	<p>In 1995, Qatar experienced more free and less transitional politics under Shaikh Hamad bin Khalifa Al-Thani, Shaikh Hamad aimed to follow different path from his father as he aimed to transform Qatar to more developed state. By keeping the rentier economy, Shaikh Hamad strived to improve Qatar</p>

<p>promotes more facilities for the foreigners in order to enrich Dubai development. The previous Saudi Ambassador, Abdullah bin Abdulaziz clarified that “Shaikh Maktoum death is a great loss for Dubai and UAE as he was a great man with wisdom and he has a mentality of business. He led and built the city of Dubai which has become a place of attraction and investment of the Gulf countries and the Arab world. His promoted flexible facilities and overcome all difficulties and obstacles in front of citizens and residents in order to develop Dubai (AlReyaddh, 2006)</p>	<p>economy and enhance its economic growth. Though great gas revenues, Shaikh Hamad was able to enhance the constructions sectors and many real estate investments took place during his era. David Blair, a journalist in The Telegraph, expressed how the great natural gas revenues enable Shaikha Hamad to transform Qatar into more modern state, he clarified that “Under Sheikh Hamad, Qatar became the biggest exporter of liquefied natural gas in the world – and the revenues allowed his government to invest billions in a host of capitals in several counties” (Blair, 2015) However, focusing in foreign policies and politics interests kept Qatar away from diversification and from more advanced global evolution.</p>
<p><b>(Dubai 2006) Shaikh Mohamad bin Rashid Al-Maktoum</b></p>	<p><b>(Qatar 2013) Shaikh Tamim bin Hamad AlThani</b></p>
<p>Less cautious and risky politics and economic policies were adopted by Shaikh Maktoum successor, Shaikh Mohammed bin Rashid. Even his role in developing the city during his father life was very active; his ruling was so supportive and welcoming for</p>	<p>In 2013, a recalling for traditional conservative politics took place. Unlike his father Shaikh Tamim’s politics tended to have conservative political natures, however his politics were conservative in two ways. The first was a traditional conservative that</p>

<p>more advanced development. Shaikh Mohammed enhanced all the manifestation of progress through improving the economic, social and educational sectors in his cities. His successful vision which included massive plans have been implemented in the reality and thus supported Dubai's evolution and economic growth. According to Emirates 24 News (2011) Shaikh Mohamad bin Rashid vision was behind Dubai current global success "Thanks to his vision, Sheikh Mohammed has competently authored the Dubai success story in record time and put the UAE on a unique path, which nations around the world compete to replicate." (Emirates 24 News, 2011)</p>	<p>depends on the culture and religion where he aimed to protect the demography of Qatar and keep the traditional norms of the state. The second is that his political economy aspects tended to be conservative in a cautious way where he is aware from any political, economic or social change that might take place in his state and thus he preferred to implement change in more gradual strict way. Additionally, he is trying to encourage the Qatari youth to be more productive in the society and this fact is obvious in his public speeches where he emphasized the role of Qatari youth in enhancing the future of Qatari and tended to reduce the fiscal pressure on government. According to Gulf Times (2013) "HH the Emir's speech reflected his great sense of responsibility and awareness of the obligations required in the coming stage. It represents a new start to activate the performance of the government within the framework of a specific ministerial assignments that open the way for Qatari youths to make their contributions for the</p>
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	future of their homeland..” (Gulf Times, 2013)
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**Table 1 A Political Economy policies politics comparison between Dubai and Qatar 1970s – 2000s**

Thus, what can be understood from this table is that Dubai experienced more cohesive supportive politics and economic aspects where the last three Sheikhs adopted less conservative politics which helped Dubai become a global trade hub. Yet Qatar’s uneven politics adopted by the last three sheikhs and the different political interests have delayed the process of development in Qatar and prevented rapid continued evolution and diversification from taking place.

**4.5 Conclusion**

In conclusion, leadership vision and political economy aspects are important aspects in developing the state; state vision has been important element in determining the development strategies of the state. Dubai and Qatar’s different historical events and economic condition encouraged each leader to adopt different development strategies that suit its city or state’s available resources. The early design of state vision by Dubai’s leader in 1970s was a vital factor in determining the future of Dubai’s development; it supported the success of the vision’s projects and support Dubai economic policies reform. Moreover, the early state’s vision provided Dubai with more knowledge about its economic weakness and strengths and helped the leader to come up with alternative solution for sustaining the growth and development of Dubai city. However, Qatar didn’t have any vision before the release of Qatar’s vision 2030 by Sheikh Hamad bin Khalifa Al-Thani. In 1970s, Sheikh Khalifa bin Hamad Al-Thani didn’t consider the importance of state’s vision and that could be due to the great size of oil and gas. Moreover, the common politics and economic aspects shared between Dubai’s last three Sheikhs supported Dubai early development and economic growth while the difference in the political economy approaches adopted by the last three sheikhs of Qatar have prevented Qatar



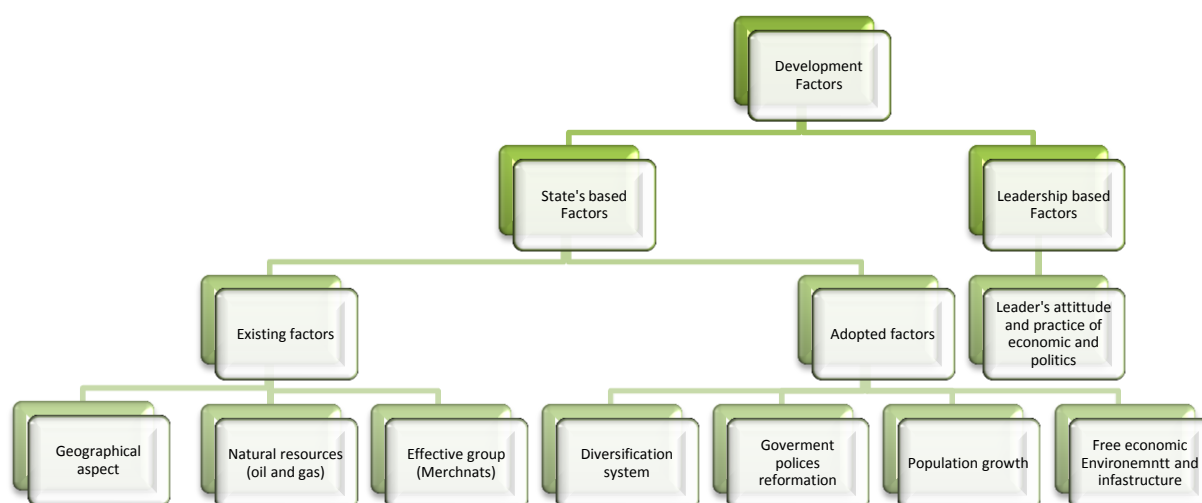
from achieving similar development like Dubai.

## Chapter Five: State's Development Factors and the Development Comparability between Dubai and Qatar

### 5.1 Introduction

This chapter aims to explore the factors that encouraged Dubai to adopt development and enhance its economy in an early stage; the importance of the chapter is centered on how these development factors and comparative advantages worked as an economic navigator for both states and how it persuaded the leaders to adopt certain development models or keep the traditional economy. Furthermore, it will also provide different numerical facts that support the different development aspect between both states. The numerical facts will be a part of a comparison discussion between both states in the areas of trade, human development, public services and environment competitiveness. Through different economic indexes and statistics, the chapter will clarify how Dubai's early decision of development placed it on the trajectory of great economic progress in several areas.

The chapter will be divided into six sections: the embedding of the theories on the development factors of both states, Dubai economic factors and development strategies, Dubai comparative advantages, Qatar development factors and development strategies, and finally, a summary conclusion that includes a final comparative analysis. The chapter tends to divide the development and economic factors into two types in order to facilitate the understanding of the role of these factors (See chart below). These types are leadership based factors and the state resources based factors. The first type explores the supporting factors related to the leader’s attitudes, political and economic practice. The second type is related to the state resources and the different elements that contributed to the development process, however the state based factors is again subdivided into two types: existing factors and adopted factors. The existing factors are the elements and resources that existed already in the state including the natural resources (oil and gas), geographical aspect and effective groups (merchants). The adopted factors include the governments polices reformation, diversification system, and population growth. The following hierarchy graphic clarifies the discussed types of factors and the other elements that are subdivided under each type.



For the comparative advantages section, the research aims not only to compare between Dubai and Qatar's comparative advantages; rather it will explain how these comparative advantages played a vital role in navigating each state to adopt different development and economic systems. Moreover, it will express how these advantages led Dubai to take a fast and early decision to reform its economic system and embrace a distinctive development model. However, before starting the process of explaining the development factors and strategies of Dubai and Qatar, it should be made clear that the discussion of these factors will address the factors from two sides: the first one is how these factors support and help the state to develop and the second side is how some of these factors forced the state to either reform or keep its economic model.

## **5.2 Dubai's Development Strategies and Economic Factors**

Leadership based factors are the key factors that enabled Dubai to take the first step toward the evolution and development of Dubai. The early planning and management of development is considered to be the first step toward successful overall development and this is what happened with the case of Dubai. Many studies and research discussed the role of leadership in developing the state and how the leader's capability and skills can impact the state's evolution and overall growth. Dubai's leadership, mainly in 1970, was a turning point for Dubai city where a modernized monarch with sophisticated beliefs took over Dubai and decided to consolidate the development pillars in the economic, urban and social sectors. The wave of modernization was highly accepted by Sheikh Rashid as he wished to transform Dubai from a desert rentiered city into a developed global economic zone. In other words, the existence of a modernized monarch in an early stage impacted positively the future and the contemporary economic and development history of Dubai, the modernization aspects allowed

the state to experience great freedom in order to achieve its different goals.

Unlike modernization, rentierism or traditional economy imposes many limitations and restrictions related to production diversification and depend on lack of free markets zone, due to the political power that controls the economic process. The rentier state believes that as long as its citizens are satisfied with the distribution of oil rents, then it can maintain the oil economy and at the same time prevent any political challenge that can impact the state authority or change the social nature of the state. According to Gray (2011) “as its most basic assumption, Rentier state theory holds that, since the state receives this external income and distributes it to society, it is relieved of having to impose taxation, which in turn means that it does not have to offer concessions to society such as a democratic bargain or a development strategy” (Gray, 2011, p. 1)

Small oil size deficiency prompted Dubai’s Sheikh to reconsider the oil economy and to look for future solutions and intelligent development systems that could insure the continuity of Dubai’s growth, and thus adopting the modernization city aspects was the first step toward changing the rentier environment. However, the oil and rentier economy was the root for Dubai’s early and current development where Sheikh Rashid decided to use the oil revenues to invest in other fields starting with port investment. His aim was to reduce Dubai’s dependency on oil and decrease the oil revenues size in the state’s income rate. This fact was stated in Sheikh Mohammad bin Rashid’s Vision which is already mentioned in chapter four. Nyarko (2010) supported this fact, he stated that “Dubai’s economic strategy is simple, and is, indeed, being mimicked by others. Recognizing very early that oil would run out, Dubai focused on becoming the trade and tourist mecca of the region.” (Nyarko, 2010, p.9)

State’s existing based factors include the natural resources, geographical location and

merchants. The oil booms and oil revenues were vital elements that enabled Dubai to reform and move toward the modernized and developed city. Even though the rentier economy was the reason behind Sheikh Rashid' early desire to change and adopt development, till this time Dubai still consider rentier economy as the oil revenues is fulfilling about 30% of the state's GDP. Aarti Nagraj , an economic analyst in Business Gulf Clarifies that Dubai during the 70s used to depend 80 to 90% on oil revenues, however the current diversification environment supports Dubai's economy and reduces its dependency on oil to reach to only 30% of its GDP. (Nagraj, 2015) Post non-oil exporting was one of the early plans that Sheikh Rashid intended to achieve, and through smart strategic plan designed by him and his son, Sheikh Mohammad, the current Sheikh of Dubai, the oil revenues were exploited and invested in the field of multiple investments and development. Moreover, Sheikh Rashid aimed to diversify the production of the state by using the oil revenues, in order to ensure the successfulness of his plan he established different institutions and organizations that can control and organize the process of production simulation and the reformation in Dubai city.

The geographical factor is an early element that gave Sheikh Rashid inspiration to diversify the Dubai economy and introduce the development aspect in Dubai. There are two important features about the geographical location of Dubai; first, is it's unique location that allows it to connect to many regional states, mainly GCC states, and at the same time make it close to East Africa and South Asia. The second geographical benefit for Dubai is the nature of the Trucial states which are known today as UAE; Dubai is one of the most powerful emirates and is considered as the economy capital of UAE. The presidential federalist political system gives Dubai the chance to practice and experience many economic developments through focusing on the economic fields and sectors. Moreover, even though Dubai is part of a big state its sovereignty and independence are well respected and mutual from the other emirates, it has significant freedom and authority to impose reform and change on any of its different sectors.

Since UAE independence in 1971, the federal presidential political system encouraged Sheikh Rashid and other subsequent Sheikhs to impose change by giving them the freedom and full authority to process their development plans and impose their development rules on Dubai.

Whenever the system of the state is federal there are some benefits that member states can enjoy, such as focusing on a certain aspect of the state. In other words, the federal system allows the member states to be the center of a certain aspect depending on the feature of the states and the special commodity or services owned by the state. For example, Abu-Dhabi is the main oil producers; however, Dubai's distinctive geographical feature, early development and economic advantages enabled it to be the main economy capital and the commercial center of UAE. Another important fact about the federal presidential system is that the system encourage the aspect of support and help among the emirates in case one of the member states' faced any economic obstruction. This fact can be supported by Abu-Dhabi's attitude toward Dubai's economic crisis in 2008-2009 when the Abu-Dhabi government decided to back up Dubai and support its loan problem. Abu-Dhabi's support to Dubai has emphasized the strong federal relation and the nature of the successful union that corporate to solve problems. (Timmons and Thomas, 2009)

Another type of existing factor related to human practice and the contribution of certain groups who have great power in the field of trading and economy. Merchants are the most important human factors that participated in the evaluation process of Dubai since its early developing stage. "What is good for the merchants is good for Dubai" (Krane, 2009, p.44) this was a famous motto for Sheikh Rashid during the 1970's; he believed in the capability and the experience of the merchants to develop Dubai. The role of merchants and their great ties with Dubai's leaders supported Dubai's early stage of development as they played a significant role in connecting Dubai with other part of the world such as Iran, North Africa and India. India has been a central trading place for many gulf merchants; the unique geographical location of India

coinciding with the expansion of the global demands encouraged many Gulf merchants to move and trade in Indian ports. “By the early 20th century, as the boom reached its zenith, the merchants and mariners of the Gulf had established sizeable communities in a number of western Indian ports, including Karachi, Bombay, Goa, and Calicut, with some venturing further into the interior and taking up residence in such trading centers as Hyderabad and Poona. Western India quickly became a cornerstone of the Indian Ocean world of Gulf merchants, providing them with access to foodstuffs such as rice, sugar, tea, and spices.” (Ulrichsen, 2015, p.5) What should be clarified here is that merchants were not only from Dubai, rather there were foreign merchants from Iran and India who highly contributed to Dubai’s massive development and economic enhancement. Moreover, merchants represented a vital link between Dubai and other trading exchange states and that’s due to their high skills in languages and their flexibility in changing the place of residence. James Onley, in his research about the transitional merchants in the Gulf, explains that merchants more than any group connected eastern Arabia to the wider world. Through their dull lives and their world language skills were able to manage the customs administration in a great number of gulf ports” (Onley, 2004, p59)

State’s based factors: (Adopted) the term adopted here means the external elements that Dubai tended to adopt and take from other state’s successful economic models in order to achieve its development vision. It tended to borrow certain Western policies and rules related to economic growth and free markets zone. Government policies reformation is one of the important adopted factors that contributed to the economic transformation and development of Dubai. Sheikh Rashid’s decision to reform and develop Dubai encouraged him to look for the required policies that can ensure the success of the desired reform.

Furthermore, the year 2006 had witnessed more change and reform in Dubai city as Sheikh Mohammed bin Rashid came into power and ruled Dubai. He imposed more liberal economic policies to attract the foreign investors to Dubai and to initiate more real estate

projects. His policy reformation includes the introduction of a knowledge based economy; he supported the aspect of technology in the city. “The initiatives launched by Dubai under the leadership of HH Sheikh Mohammed Bin Rashid Al Maktoum in recent years, for example, those with a strong focus on creativity, innovation and smart services, are aimed to achieve sustainability and promote competitiveness.” (WAM, 2015) Reforming economic policies and imposing more secure and liberal economic rules attracted great global capital to develop Dubai; the liberation of the economic rules is a key factor behind cementing Dubai’s position as liberal business destination. Several published economic indexes clarified how Dubai’s economic services have improved due to the freedom of its economic system and economic rules “The UAE ranked 23rd among 156 countries covered by the Index of Economic Freedom (IEF) of the Heritage Institute last year to gain a semi-complete economic freedom classification that falls behind only industrial nations.” (Kawach, 2002)

However, Dubai’s liberalism was unique as it didn’t adopt full diversification system, rather it tended to keep and preserve certain elements related to the cultural aspect of the gulf region. This fact can be explained through the nature of the Gulf Monarch and how they want to protect their authority even if they initiated any reform. Dubai’s Sheikhs aimed to reform Dubai, however they were aware of protecting their authority and being the main decision makers. Dubai’s liberal economy was different from any western liberal economic system as it was designed to serve Dubai’s development goals by keeping some of the Gulf States aspects, mainly the nature of monarchal system.

The process of policy reform included the introduction of new economic systems that aligns with the state’s vision of development and economic progress. The small size of oil and the threat of natural resource depletion made Dubai accelerate the reformation of its economic system and pursue diversification of its economic in an early stage. In fact, Sheikh Rashid’s fast re-consideration of oil based economy system and its deficiency to sustain the future economic growth encouraged him to look for other solutions that could enhance Dubai’s economy and



promote the overall development in the city. Economic diversification leads to the growth of many sectors, it leads to the growth of the economic production and urban development through the diversification of the state's investment in the construction and services. Moreover, economic diversification is an important term in the historical context of Dubai's development; the concept of development needed the expansion and variation in the production and the investment of the state. As been mentioned in chapter one regarding the new development strategies of Dubai, Dubai's full rentier system started to fade out after the initiative of port investment by Sheikh Rashid who decided to adopt a more advanced system through a chronological plan. The port investment was a smart starting point for Dubai's economic development where Dubai was able to experience many trading activities and gain revenues from different resources. Dubai's economic diversification was unique model for Dubai where Dubai tended to adopt certain aspect of the model that can fits with its monarchical ruling system.

Population growth is another effective factor that contributed to Dubai's economic and urban development. In his development plan, Sheikh Rashid focused to make Dubai an attractive economic zone for all international groups who desire to invest or leave in Dubai, and to achieve this desire he attempted to create the suitable environment that can encourage different people from different places in the world to place themselves in Dubai and contribute to the process of overall evolution. Population growth is an important pillar that makes Dubai's massive development fast and significant. Many facts about the GCC state's population encourage dependency on foreigners; the nature of GCC population especially UAE, Qatar and Kuwait cannot accept any types of jobs or work that is mainly related to the construction, craft, and other works related to the field of laboring. Moreover, the skills and knowledge based economy was absent in Dubai especially in the early stages of development and thus population growth from different countries in the world helped Dubai to gain different population with a different set of high skills who can manage great projects with high quality of work. According

to Shihab (2001) “The UAE population is essentially a small one. However, after the discovery of oil and its export in the last four decades, it has experienced very rapid growth, the result of a combination of high natural rates of increase among the UAE’s indigenous population, and a massive inward migration of expatriates who now comprise more than three quarters of the population.” (Shihab, 2001 p.251) All of these development and economic factors were placed between traditional society stage and take off stage according to the Rostow growth model.

### **5.3 State’s Comparative Advantages**

Adam Smith added a lot of the explanation of the comparative products concept and how it changes the economy strategies of a state. Smith argued that it was impossible for all nations to become rich at the same time by adopting mercantilist instructions because the export of one state is another state’s import. However, practicing free trade and specialized in their absolute advantages can enhance the status of the states and make them gain benefit simultaneously. To provide more clear definition, a comparative advantage is concerns the state’s ability to produce certain commodities or promote certain services. It’s also where the country is least or most expected to be in the field of global trade and in what field can the state participate and compete. According to Economic Time (2016) comparative advantages is “the benefit or advantage of an economy to be able to produce a commodity at a lesser opportunity cost than other entities is referred to as comparative advantage in international trade theory.” (Economy Times, 2016) Therefore, it is about the ability to produce certain products or provide certain services at a lower cost.

In Fact, illustrating the state’s comparative advantages will gave a great value for the analysis of this research as it will provide wider perspective of how each state decides to keep or change its economic system. It also clarifies how certain elements and goods that are owned by the states can control the state economic and trade activities. Comparative advantages are also important factors that enable the state to be either a great or weak competitor in the global

markets. The comparative advantages play a vital role in persuading the state to follow a certain economic path depending on its ability to promote certain service or to produce and export certain commodity.

It's important to know that comparative advantages can be changed depending on the size and the value of the product export by the state, yet certain comparative advantages tend to be permanent and mainly related to the geographical aspect of great preserves of natural resources such as gas and oil. However, since the research is focusing on Dubai development since 1970s and why Qatar didn't adopt similar model before 1990s, the research will only discuss the comparative advantages of both states that existed during the time covered in the study, which is from 1970s till 1995.

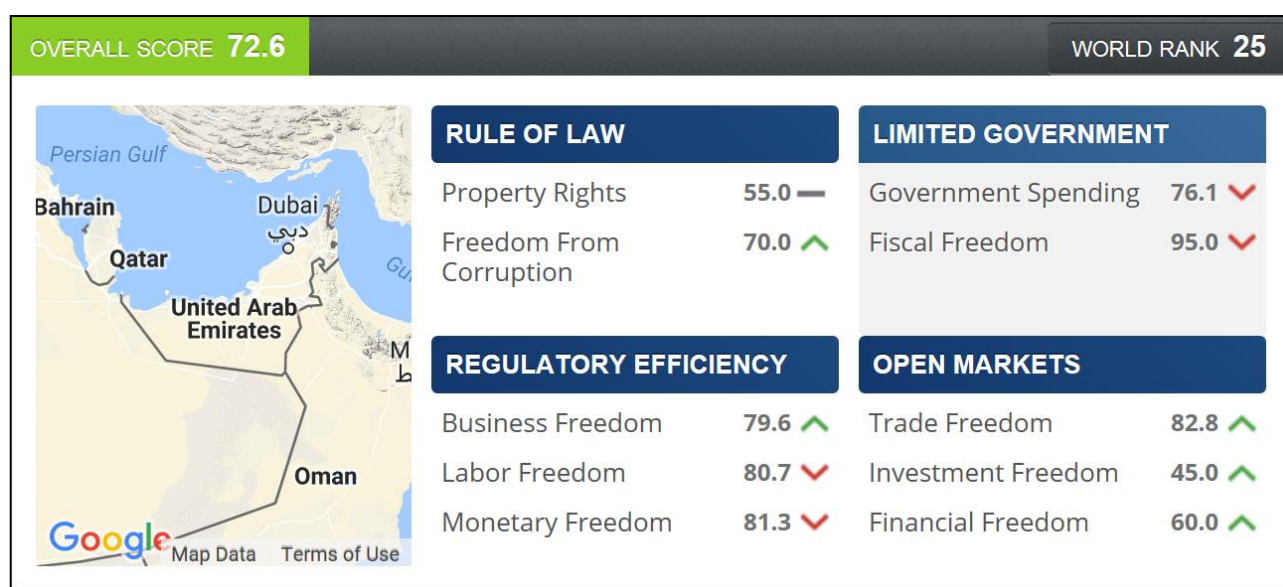
#### **5.4 Dubai Comparative Advantages**

Dubai's comparative advantages could be divided on two stages: early stage which will include the oil revenues and the geographical location, and the second stage will include the environment and economic freedom after the reformation of the economic system. The early comparative advantages are the oil boom and the great oil revenues the city started to gain from exporting oil; however, the small size of oil prevented the continuation of this advantage. During the pre-Rashid era and till the early part of the 1970s, the rentier economy was the formal economic system where the state depended on the revenues that come from oil exports and other rent sources. It was the first resource for improving the society and the lifestyle of the people, yet its deficiency resulted from its small size in sustaining good economic growth in the future made Dubai government rethink the rentier system and try to implement a more enhanced system than could ensure the continuity of the economic growth. Dubai's small size of oil reserves made this advantage limited to a certain time and discounted, a fact proving how comparative advantages of a state can change by the time.

The early permanent comparative advantage for Dubai is the geographical location. Dubai's unique geographical location has strengthened its trading environment. The geographical feature supported Dubai trading as it connected between several trading states from South Africa and East Asia. The unique geography of Dubai supported its trading activities since 1970s when it used to support the merchants trading by facilitating the moving process from port to port; and currently due to the globalization and the increase of the global demands Dubai trading has improved, and its economic exchange activities between Dubai and other regional and global states has increased. Trading came to be known as one of the central elements for developing the state's economy, which was discussed in a recent report by the Emirate Competitive Council report. The report clarified the importance of the trade aspect by stating that "trade has become a vital element for countries' economic development, as countries are becoming less likely to produce all the goods and services they need within their borders. Goods and services in today's globalized economy move freely across the world, as both final and as intermediary products. When countries lower trade barriers, they create enormous potential benefits for business and households alike." (Emirate Competitive Council, 2012, p.2) Moreover, Saidi (2011) also agreed with this fact, he explained that Dubai's smart decision to establish a port and take advantage of its location which connect between Asia and Europe made Dubai port one of the most successful and active ports in the world. (Saidi, 2011)

The second stage of the comparative advantages reflects the services and the commodities Dubai produces or owns after its diversification and economic reformation time. Dubai's free economic environment and massive infrastructure is a great comparative advantage that contributed to Dubai's current massive development. The Economic freedom environment has attracted much global capital and great investors to invest in Dubai, its economic freedom and low barriers made Dubai top the list of economic freedom more than once. In other words, the liberal economic environment facilitated many economic development

aspects, it gives the individuals who desire to invest great opportunities by protecting their rights and freeing them from following certain laws or traditional habits. According to Economic Index (2016) The United Arab Emirates is competitive in many areas of economic freedom and that's largely due to its low trade barriers. Its political stability and economic environment have boosted its competitiveness in the global markets. (Economic Index, 2016) The following Index shows the size of economic freedom in most of economic sectors of UAE including Dubai.



Index 1: Dubai Economic and Trade Freedom, (Economic Index, 2016)

Infrastructure and massive construction is another recent comparative advantage for Dubai where the modern buildings and the large areas full of towers, skyscrapers and high building with unique architectures have also enhanced the global identity of Dubai city; “Meanwhile, Dubai has invested heavily in infrastructure and logistics to overcome its comparatively poor natural resource base and become a global business, trade and tourism hub.” (Saidi, 2011)

### **5.5 Qatar’s Development Factors**

The explanation of Qatar’s development factors will include different facts that aim to address the early reason that made Qatar adopt different development strategies than Dubai. It will also provide certain historical events that forced Qatar to keep the rentier economy in order to protect other principles of the society. The section will provide a brief clarification about Qatar under Sheikh Khalifa bin Hamad and how the traditionalism was preferred by the leadership in terms of the economic system. Moreover, it will explore Sheikh Hamad’s era and how development and modernization aspects were introduced to the society. It will illustrate the development factors Qatar adopted when Sheikh Hamad bin Khalifa took the throne. The coming paragraphs will follow the same structure of the previous section of Dubai’s development factors in order to show an equal and fair analysis. Moreover, it aims to explore how some of these factors were either absent or worked differently in Qatar than in Dubai and how it persuades the leadership to adopt or keep certain economic system.

Leadership based factors: Leadership factor in Qatar considered to be effective development factor starting from the era of Sheikh Hamad. However, Qatar during the 1970s

and till early 1990s adopted a rentier economy that depends only on one source of revenues- oil exports. Sheikh Khalifa bin Hamad preferred the rentierism and didn't accept any form of change regarding the economic system, he tended to improve many of the state's sectors such as media, education and politics, but he believed in the power of rentier state system. In addition, even though it wasn't mentioned directly in any report or previous study, Sheikh Khalifa's interests weren't toward developing and diversifying the economic growth of the states, rather he was content with developing the state by the oil revenues only. The discovery of the north field and its great gas reserve size has even strengthened Sheikh Khalifa's decision to keep the rentier system; and great size of natural gas was exported during his time. "In the early 1970s, Qatar flared about 80 percent of the 16.8 million cubic meters of natural gas produced daily in association with crude oil liftings. In that decade, the country made progress in using its natural gas resources despite several setbacks. Whereas nearly 66 percent of onshore gas was flared in 1974, by 1979 that proportion had fallen to less than 5 percent." (Metz, 1993) Moreover, he didn't adopt any modernization aspects of the city and didn't accept to move away from the rentier environment.

However, Qatar in 1995 witnessed a new phase of transformation when Sheikh Hamad bin Khalifa took the throne and ruled Qatar. Yet his economic development desire wasn't greater than his political interests, even though he developed Qatar and enhanced its economy, his desire of gaining a global political reputation and political power deterred him from reforming certain economic policies and prevented him from abandoning the rentier system or reducing the dependency on oil and gas exporting. Thus, the leadership factors were effective when Sheikh Hamad came into power, but his interests and political direction was a factor behind Qatar's different development strategies than Dubai.

State's based factors (existing): Oil and natural gas are the main exiting state factors for overall development, these natural resources are the root for Qatar's current development. The

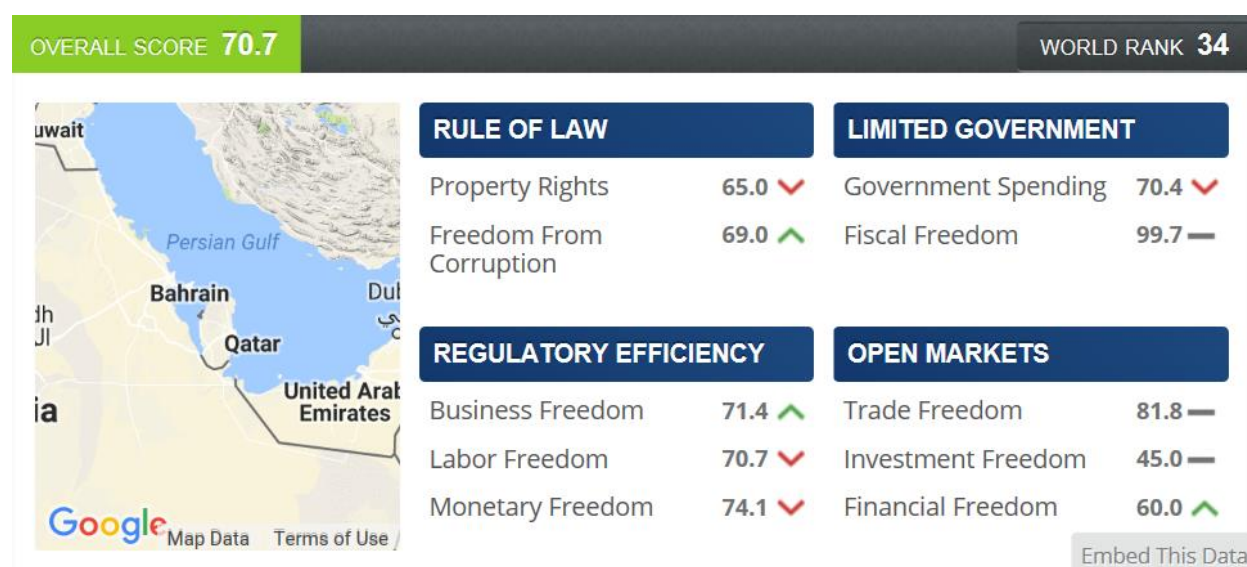
great size of oil and natural gas was a strong point for Qatar as it enables the state to develop in many sectors and improve the lifestyle of the Qatari society by providing them with more jobs and opportunities in economic and urban sectors, while at the same time achieving its political interests. In fact, Qatar's oil size and later on natural gas reserve plays a vital role in the nature of Qatar development today. It controls Qatar's economic model where it the oil revenues covers approximately 80% of the state's GDP. "The export base of Qatar was heavily concentrated in crude petroleum until 2002, when exports of LNG became the country's most important foreign exchange source. The share of LNG exports in total merchandise exports rose from 12.2% in 1998 to 43.7% in 2002, while the share of crude petroleum declined from 61.2% to 35.9%." (World Trade Organization, 2003)

Other states based factors like merchants and geographical location were absent or less effective than Dubai. Merchants were a weak development factor for Qatar, merchants existed in Qatar, yet their role wasn't as effective as the merchants in Dubai. Even though many merchants' families came and settle in Qatar since 1957, their role in enhancing the economy of the state wasn't very significant. In addition, unlike Sheikh Rashid Al-Maktoum, there was no mention of the nature of Sheikh Khalifa's ties with merchants or if he allowed them to contribute to any face of development or economic growth, thus merchant factor was not effective for Qatari development. Similar to merchants' factor, geographical location of Qatar is considered to be strategic yet it didn't support the trading activities like the case of Dubai and that can refer to the number and size of bordering countries which are interested in trade and trade exchange

States' based factors (Adopted): Government policies reformation process was a factor for Qatar's development, yet the freedom of the economy and the liberal economic environment is limited. Labor policies and legislations are still restricted in Qatar even with the development phase by Sheikh Hamad. The high dependency on natural resources and the full adoption of oil



based economy encouraged the state to keep its restricted economic policies. Protecting the demography of the society through traditionalist aspects made Qatar delay the diversification of the economy and the liberalism of the development system. Since development aspects were introduced in a late stage, Qatar want to avoid any hesitation regarding the stability of the society.



Index 2: Qatar Economic Freedom, (Economic Index, 2016)

Other state adopted factors were not effective for Qatar’s development and didn’t support Qatari development strategies. Even though above charts shows that Dubai and Qatar are quite similar with regards to economic freedom but the reality reflects the opposite and different economic models of the both states well. Qatar’s restricted economic polices was behind the delaying of diversification and thus increasing the population growth for more production was hard to achieve. Again, the conservative aspects that control the society and the desire to protect the identity made Qatar more aware of implementing any change that could limit or hesitate the citizens’ satisfaction, impact the identity, harm the demography of the society and impact the policy making of the state. The liberalization of economic policies can impact the people’s satisfactions as Qataris have not been exposed to any vital society reform

that can impacts their identity and their demography. Moreover, the policy making of the state can be impacted if the state imposes more liberal economic policies. Yet the freedom percentage regarding the labor rights and property right , Dubai percentage is higher than Qatar.

### **5.6 Qatar's Comparative Advantages**

Energy comparative advantage is one of the most important comparative advantages of Qatar. Qatar's key comparative advantage is the natural gas reserves, its great preserve of natural gas in the north filed made Qatar great competitor in the energy global markets especially in exporting natural gas. Even though he tended to diversify the economy and state revenues, Sheikh Hamad's political desire encouraged him to maintain the rentier economy for a longer time. The power of the energy in shaping the political position of the state led Sheikh Hamad to use the natural gas exporting as political tool to be a major political player. This fact can be supported by Qatar's Triennium Work Report which was published in 2010 as the report clarified that Qatar, extensive surplus gas ready for export, made Qatar lucky and blessed as it didn't only benefit Qatar's commercial and economic interests, but it enhanced its political leadership motivations on the regional and global level. (Yedros, 2012, p.132)

The great size of liquid natural gas led Qatar to be a major player in the global energy market where it exports natural gas to big markets in Asia, Europe and United states (See Figure 1) According to Ritz (2012) "Qatar is the world's largest exporter with a global LNG market share of almost 35%. Its largest LNG destinations are both .mid-price, Europe (especially UK and Italy) and high-price, Asia (especially Japan and South Korea), with a split of around 25% and 75%. The next largest LNG exporters are Nigeria, Australia, Indonesia, Malaysia, and Trinidad & Tobago which all have market shares in the range of 6% to 11%. In addition to Qatar, multimarket LNG exporters serving Europe and Asia, include Nigeria, Trinidad & Tobago, and Peru." (Ritz, 2015, p.8)

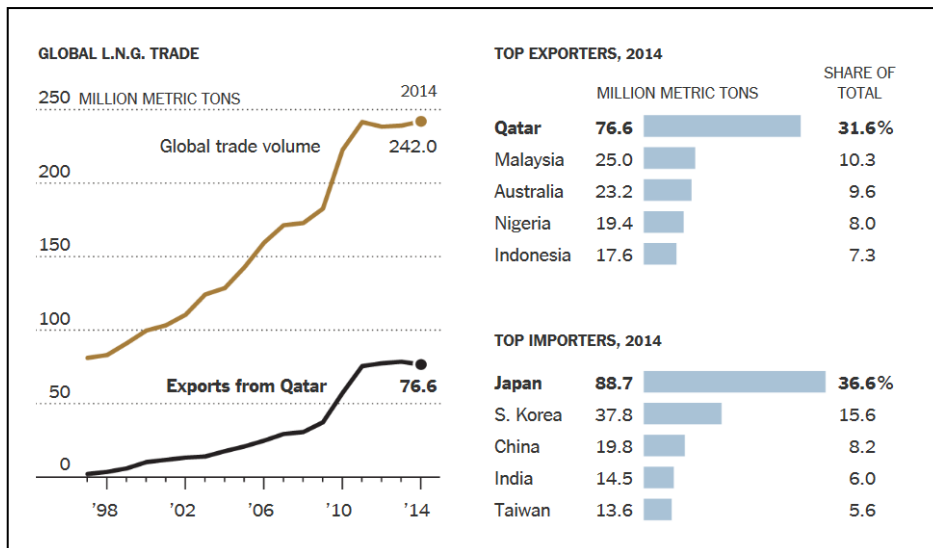


Figure 1 Qatar LNG Export Size and Directions 2011

There are other comparative advantages of Qatar such as its sovereign wealth funds size, however since it doesn't contribute to the development of the Qatar, the research will not consider it in the analysis. Even though it contributes to the increase and the growth of the state's GDP, it doesn't contribute to the local development of the state's economic feature.

### 5.6 Qatar and Dubai development factors: A Comparative Discussion

The importance of this paragraph is to illustrate and to compare between Qatar and Dubai development mainly in certain areas including the GDP, trade, industrialization, environment competitiveness, human development, public services tourism and airlines. The paragraph will show Dubai's excellence in most development sectors due to its early well-designed vision and its early decision of reforming the economic system and adopt diversification. However, some of the indexes are related to the UAE including Dubai and that is due to the lack in statistical data related to Dubai

#### 5.6.1 GDP Per Capita and GDP Annual Growth

Since this research is about development and includes the economic growth term, discussing the Gross Domestic Production (GDP) is important in comparing between two

countries' development. Currently Qatar is overtaking Dubai in GDP growth, however Dubai's early reformation of its economic strategies supported the growth of the gross domestic production and thus it experienced great annual GDP growth since 1970 and till 2000s. In contrast, Qatar didn't witness great gross domestic production before Shaikh Hamad Bin Khalifa era mainly in 2006 and that can be explained by his less restricted politics and the great gas exports. The following figures (2 & 3) show the GDP per capita and GDP annual growth for Qatar and Dubai:

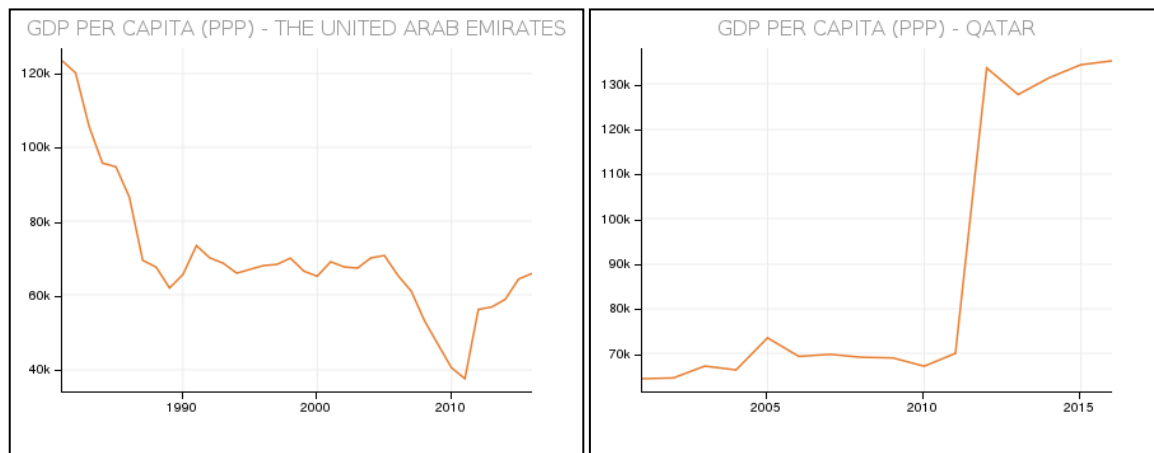


Figure 2 UAE and Qatar GDP Per Capita Growth 2015

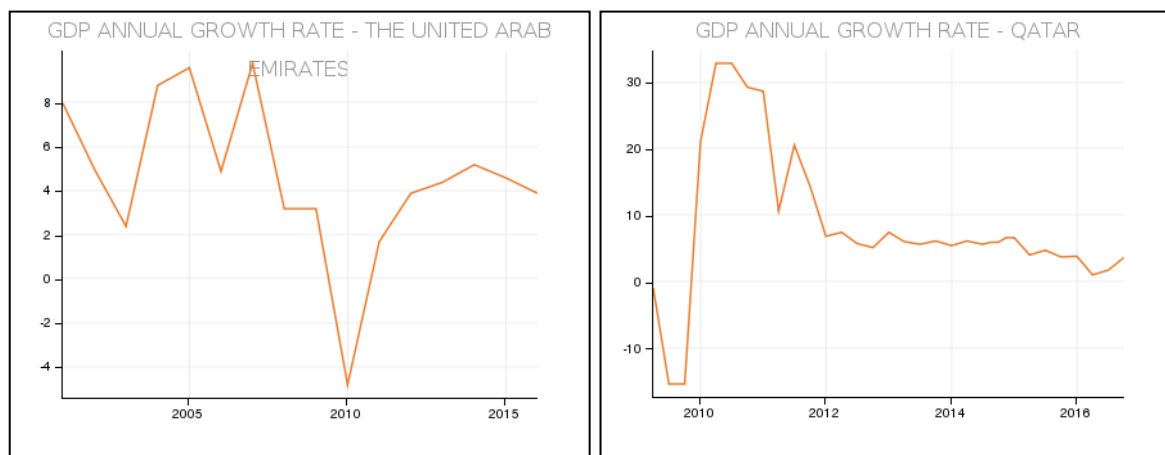


Figure 3 UAE and Qatar GDP Annual Growth 2015

Despite the fact that Qatar's has the highest GDP, what can be noticed from the previous four charts is that the growth of the gross domestic production of Dubai started before 1990

while Qatar didn't experience any gross production growth before 2005 and that supports the fact of Dubai's early successful development strategies and Qatar's delayed development process. Moreover, it also manifests the flying geese paradigm where Dubai developed first and then Qatar decided to catch up with Dubai by reforming its economic system.

In addition, the division of the GDP is important to show how the state or the city developed and diversified its economy. Dubai was able to diversify its economy and adopt a more diversified system through increasing the trade, investment and manufacturing. Dubai decided to reform its economy to have revenues from different sectors other than oil and gas. Manufacturing, constructions and real estate investment are occupying great size from the GDP division of Dubai. Unlike Dubai, Qatar's GDP division is different where oil and gas is contributing to Qatar's GDP more than 50%. Below figures (4&5) show the division of the GDP of Dubai and Qatar:



Figure 4 Dubai GDP Division by Sector 2013

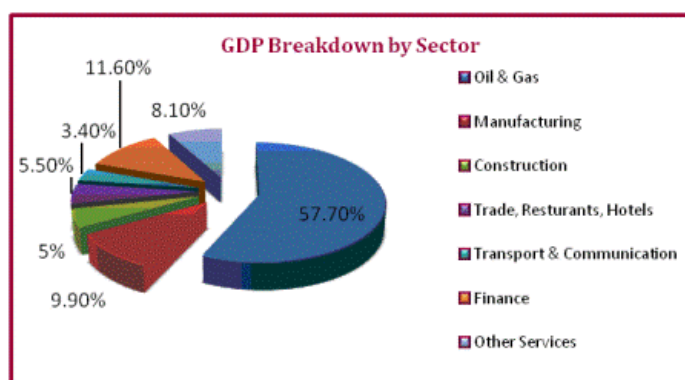


Figure 5 Qatar GDP Division by Sector 2013

The diversified GDP supports the fact of Dubai successful economic strategies and economic

diversification; it also proves the development state theory where the state designs its economic strategies depending on its resources. In contrast, even though Qatar has put great effort to diversify its economy, the oil and gas sector is still contributing with great size in the GDP of the state.

### ***5.6.2 Trade, Investment and Free zone***

When discussing about trade and investment, there are vital differences between Qatar and Dubai, Dubai has established a great foundation for its current great trade and investment. Promoting trade through developing various free zones was a recent step taken by the Dubai government to develop Dubai. “There were a number of free zones developed in the region to promote the trade and to facilitate the growth of industrial sector that the city was undergoing through. These free zones provided a lot of benefits such as no corporation taxes, one hundred percent foreign ownership and easy access to ports that attracted the attention of businesses from all over the world and these businesses started shifting to these free trade zones.”(Government of Dubai, 2016) Dubai free zones and free taxation, easy foreigners’ employment and easy labor rules are main factors that support Dubai’s development and economic growth. Airport and ports like Jabel Ali are vital free zones in Dubai where international investors are attracted and where they can get fast visas and enjoy less restrictions and rules. However, the concept of the free zone does not have any place in the economic strategies of Qatar and that’s due to certain conservative policies and the great gas reserve that enabled the state to enhance its economy without developing free zones.

However, the size and the type of exporting and importing is also a vital instrument to measure the state trade. When Dubai’s government decided to reform the economy system, it started to promote the productivity and encourage the people to produce more through filling different jobs. Moreover, the great number of laborers supported the development of the state by increasing and diversifying the production. However, Qatar’s delayed decision to develop

didn't support the government to increase its export; another thing is that rentier economy didn't support Qatar to have diversified export. The following charts show Dubai and Qatar export and import volume.

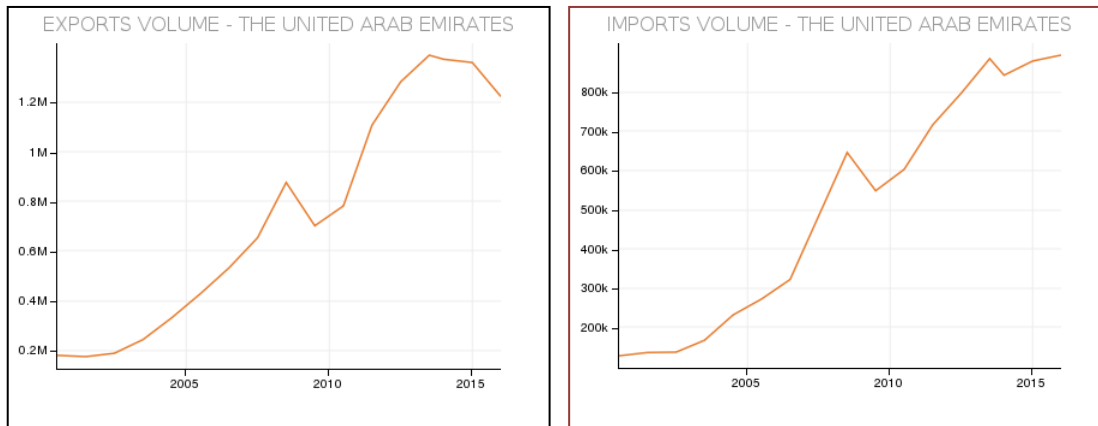


Figure 6 UAE Export and Import Volume 2015

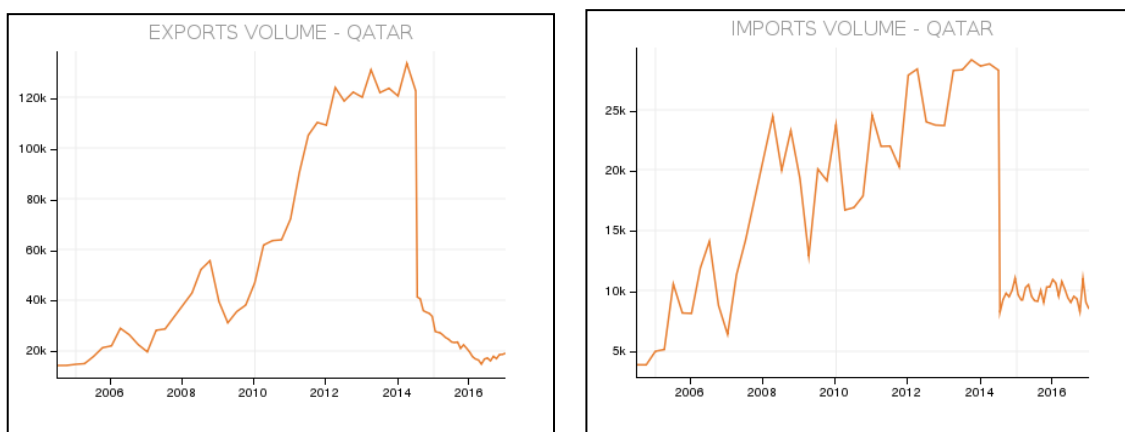


Figure 7 Qatar Export and Import Volume 2015

The previous four export and imports charts shows that both states have high import rates, yet Dubai has a longer history in exporting experience than Qatar as it started to have great exporting before 2000s. Investment in Dubai is considered to be the main tool for economic growth; the real estate investment and port investment are major factors behind Dubai development and economic enhancement. Dubai decided to support investment through promoting free investment policies alongside facilitating the ownership rights, such policies attracted hundreds of international investors to invest and allocate great capital in Dubai. Real

estate investment is one of the major factors behind Dubai massive development; palm Jabel Ali, Jumira palm and Palm Deira are vital projects that achieve great revenues for Dubai.

In contrast, Qatar's restricted policies have delayed Qatar's real estate investment, but in the recent years, mainly after 2010, there was a change in Qatar's real estate investment policies where certain projects took place in the state such as the Pearl, or Banana Island and thus recalling the flying geese theory in this discussion can explain such change. The nature of the real estate projects in Qatar has several similarities with the real-estate projects in Dubai, the development evolution in Dubai encouraged GCC states including Qatar to reform their respective economic policies and enhance infrastructure by having great real estate projects. Again, imitation in the real estate projects between Qatar and Dubai support the fact of flying geese paradigm where Qatar decided to follow the same path of Dubai development.

### ***5.6.3 Manufacturing and industrialization***

When it comes to manufacturing and industrialization, each state has managed to develop great industry; however the diversification in the industry is wider in Dubai than Qatar. Qatar's rentier economy allowed Qatar to have almost all oil manufacturing rather than diversified manufacturing. However, both states shared the same rentier state history as Dubai started its development through using oil revenues and later on decided to enrich its oil exporting through establishing oil companies. Qatar's current development is the product of the great oil and gas revenues and these facts will be discussed in the following paragraphs.

The early economic transformation done by Shaikh Rashid bin Saeed enabled Dubai to experience great industrialization evolution. Like any rentier state, Oil exporting was the early main economic activity in Dubai as it started to export oil in 1969 from Fateh oil field. (Gulf news, 2010) In addition, in 1999 Dubai's government established the first oil refinery which is



the Emirates National Oil Company (ENOC). (Gulf News, 2010) However, the small size of oil encouraged Sheikh Rashid to promote different industrialization in his city; construction industrialization was one of the most active industries in Dubai where the government decided to enhance the city by establishing good roads, hospitals and schools. Dubai was able to design a plan that depends on the small oil revenues in order to establish great industry environment, Dubai government successful plan allowed Dubai to be great industrial host for different products and it continued to have great manufacturing outside the oil sector including food, chemicals , electronics etc ( See Table 1). The following table shows Dubai industrial expansion in different sectors in early stages.

*Table 2 UAE Industrial Sector 2011*

<b>Table 2. Number of industrial establishments</b>								
registered at Ministry of Finance and Industry employing 10 or more persons as at 31/12/1999								
Industrial Activity	Abu Dhabi	Dubai	Sharjah	Ajman	Ra's al-Umm al-Fujairah	Khaimah	Qaiwain	Total
Food & beverages	18	82	42	20	9	6	5	182
Tobacco				1				1
Textiles	1	7	19	11	1	1		40
Garments	9	13	53	65	2		1	143
Leather goods	1	3	6	5			1	16
Wood & wooden products	1	13	14	3		1		32
Paper & paper products	8	23	14	11	2	1	1	60
Publishing	7	33	19	3	2		1	65
Petroleum products	5	4	5	7	1			22
Chemicals	22	47	52	14	4	3	1	143
Rubber and plastic products	21	42	56	23	2	4	3	151
Non-petroleum non-metallic minerals	45	99	64	22	22	9	11	272
Basic metal industries	4	21	12	2	3	1		43
Metal products	41	146	78	28	9	6	4	312
Machinery & equipment	5	16	19	1	1			42
Office equipment and computers				1				1
Electrical equipment & parts	6	25	16	1		1	2	51
Vehicles & trailers	5	12	4	4	1			26
Other transport equipment	3	12	6	10	3	1		35
Furniture & other manufacturing	2	64	85	18	3	1	1	174
Recycling						1		1
Handicraft industries		16	17	7	7			47
<b>Total</b>	<b>204</b>	<b>678</b>	<b>581</b>	<b>257</b>	<b>72</b>	<b>36</b>	<b>31</b>	<b>1859</b>

Source: Ministry of Finance and Industry, Department of Industrial Development

What can be noticed from the table is that Dubai's petroleum industry percentage is not more than 4 while there are great numbers achieved in other industries. This table supports the development state theory where the state decided to reform its economic strategies due to its small resources in order to enhance its development. Dubai's small size of oil reserves

encouraged Dubai government to reform its economic model in order to sustain its economic growth and development; and it succeeded to diversify its economic and that due to its successful development state model.

Unlike Dubai, Qatar didn't experience great industrialization during 1970s or 1980s, even though the Industrial Development Technical Centre (IDTC) was established in 1973, Qatar didn't diversify its industrialization until the recent time. (Metz, 1993) The industrialization in Qatar was limited to the oil and gas sector, certain constructions took place yet, it didn't serve Qatar to have great development or economic growth at that time. In 1989 the government started to establish small and medium enterprises in order to enhance its industry, and offered several benefits like low-interest loans; free road, water, and electrical hookups in order to encourage the owner of enterprises to participate in the industrialization development of the state. Yet, the oil and natural gas industry is the most common industry activity in Qatar and that refers to the great size of gas reserve; Qatar's great gas was behind Qatar's adherence of rentier economy. However, some literatures clarified that Qatar had small industrialization, which included the wheat and cement. According to Metz (1993) "Some industries that are smaller but important suppliers of the domestic market include a flour mill and several cement companies. The Qatar Flour Mills Company processes flour and bran from wheat. It began production in 1969, and output in the 1980s was 700 tons per day. The Qatar National Cement Company (QNCC), owned jointly by the government and private shareholders, uses local gypsum in cement production. QNCC was established in 1965 with a production capacity of 100,000 tons per year." (Metz, 1993, p.21) Therefore, what can be understood from the previous industrialization discussion is that Dubai overtook Qatar in the industry diversification while Qatar leads Dubai in the oil and gas industry sector.

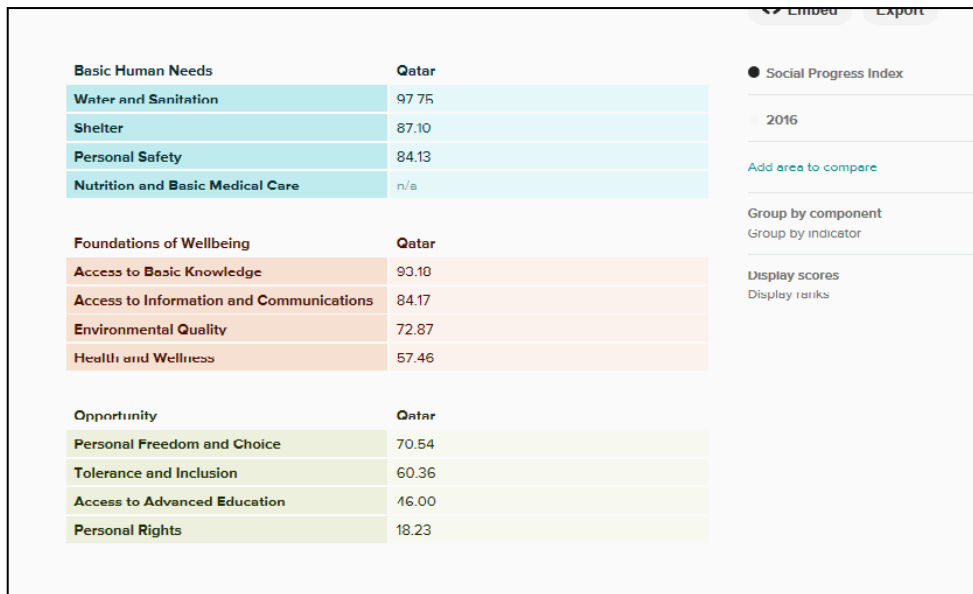
#### ***5.6.4 Human Development and Public Services***

Human development is about human richness and lives through having security, stable

life, health, social justice, participating in the society and environment suitability. (Human development report, 2015) Having a good standard for human life enhances the growth and the sustainability of the population; United Arab Emirates have higher percentages of human development as it taking over Qatar in most basic human development aspects. Due to its early strategic plan that focuses on the economic growth and the enhancement of the people’s life style, Dubai was able to achieve great percentages in the human development aspects. Qatar still has great percentage in human development, yet it’s less than Dubai and that could be due to its restriction in personal rights and opportunities, especially for the non- nationals. The following indexes shows Dubai and Qatar’s progress in human development.



Index 3: Dubai Human Development progress 2016 (Social Progress Imperative, 2016)



Index 4: Qatar Human Development progress 2016 (Social Progress Imperative, 2016)

### 5.6.5 Economic Competitiveness

The global competitiveness index deals with the state microeconomic and business competitiveness; it measures the set of institutions, policies and factors that support the economic prosperity. UAE ranks 16th in the global competitiveness rank while Qatar ranks 18th. Dubai's economic prosperity is an outcome of early successful economic strategic plan where the government was able to enhance its economic growth through promoting supporting economic policies with less restriction. However, while Qatar is also a great competitor, its restrictions on economic policies prevent the state from adopting accelerated diversified economic growth. The following table shows the rank of Dubai and Qatar in the global competitiveness index 2016-2017.

**Table 1: The Global Competitiveness Index 2016–2017**

Country/Economy	OVERALL INDEX		SUBINDEXES					
	Rank	Score	Basic requirements		Efficiency enhancers		Innovation and sophistication factors	
			Rank	Score	Rank	Score	Rank	Score
Switzerland	1	5.81	2	6.29	3	5.62	1	5.80
Singapore	2	5.72	1	6.37	2	5.73	12	5.25
United States	3	5.70	27	5.43	1	5.85	2	5.63
Netherlands	4	5.57	4	6.12	9	5.38	6	5.52
Germany	5	5.57	10	5.94	7	5.40	3	5.61
Sweden	6	5.53	7	6.06	12	5.31	5	5.54
United Kingdom	7	5.49	23	5.61	5	5.55	9	5.30
Japan	8	5.48	22	5.62	10	5.37	4	5.57
Hong Kong SAR	9	5.48	3	6.23	4	5.58	23	4.80
Finland	10	5.44	12	5.88	14	5.26	7	5.47
Norway	11	5.44	6	6.06	11	5.34	13	5.21
Denmark	12	5.35	13	5.85	17	5.19	10	5.27
New Zealand	13	5.31	8	5.98	8	5.38	26	4.73
Chinese Taipei	14	5.28	14	5.81	16	5.20	17	5.05
Canada	15	5.27	17	5.72	6	5.42	25	4.74
United Arab Emirates	16	5.26	11	5.90	15	5.22	21	4.91
Belgium	17	5.25	24	5.56	18	5.18	14	5.16
Qatar	18	5.23	5	6.09	21	5.00	18	5.04
Austria	19	5.22	18	5.72	22	5.00	11	5.26
Luxembourg	20	5.20	9	5.95	23	4.99	16	5.07
France	21	5.20	25	5.54	19	5.14	15	5.07
Australia	22	5.19	15	5.81	13	5.27	27	4.65
Ireland	23	5.18	21	5.63	20	5.10	19	5.01
Israel	24	5.18	28	5.37	25	4.95	8	5.41
Malaysia	25	5.16	26	5.49	24	4.96	20	4.94
Korea, Rep.	26	5.03	19	5.71	26	4.88	22	4.81
Iceland	27	4.96	16	5.79	32	4.75	24	4.75
China	28	4.95	30	5.34	30	4.79	29	4.22

Index 5: The Global Comparativeness 2016-2017, (World Economic Forum, 2016)

### 5.6.6 Tourism

Tourism industry sector is one of the most important sectors that can insure the economic growth and development of the state. “Tourism as a service industry can play a role in supporting sustainable economic growth when it developed in a responsible and strategic way.” (World Travel and Tourism Council, 2016) Dubai tourism sector is one of the factor behind Dubai development success today, a recent report released by the Department of Tourism and Marketing of Dubai illustrated that the tourism sector in emirate’s has showed the effectiveness and strength of its economic contribution, as it made steady progress towards the target of 20 million visitors per year by 2020. (Department of Tourism and Commerce Marketing, 2016) “In the 1980s and early 1990s, Dubai took a strategic decision to emerge as a major international-quality tourism destination. Investments in tourism infrastructure have paid off handsomely over the years.” (Government of Dubai, 2000) However Dubai’s massive construction of facilities, hotels, and malls have cemented the tourism sector in its city,

alongside the cultural freedom and the origin of cosmopolitan which will be discussed in chapter six have supported the tourism as it gives the tourists more freedom. The growth of the tourism in Dubai started in early 1990s; the constructions of several facilities including the malls, hotels and entertainment places have attracted hundreds of people from international destinations to come to Dubai. In addition, in 2000s Dubai experienced great increase in the tourists number as it appears from below figure8.

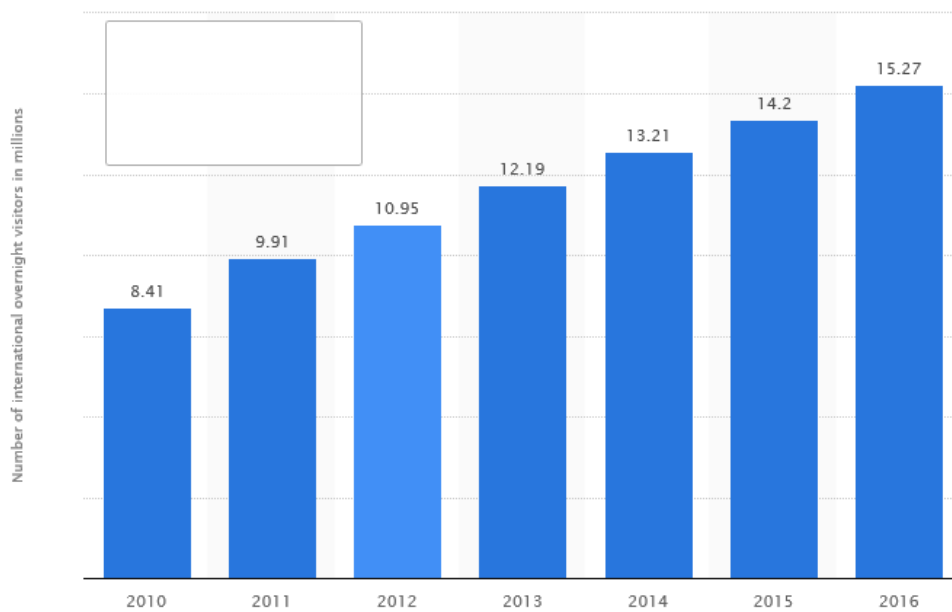


Figure 8 Dubai International Tourism Number from 2010 to 2015

However, the tourism concept wasn't introduced in Qatar before 15 years ago where the state started to enhance its tourism facilities through initiating more mall projects, hotels and tourism places. In addition, Qatar's awareness of the importance of tourism in enhancing the economic growth encouraged the government in 2014 to establish Qatar Tourism Authority (QTA) which is a governmental body that is responsible for promoting tourism. Yet this body is also responsible for the rules and polices regarding the tourists and the certain aspects that tourism must be aware of in the country. (Qatar Tourism Authority, 2014) This mean that even tough Qatar is putting great effort to promote tourism, the government still want to have restricted strategies in hosting international tourists. The following Figure shows Qatar's

growth of tourists since 2000.

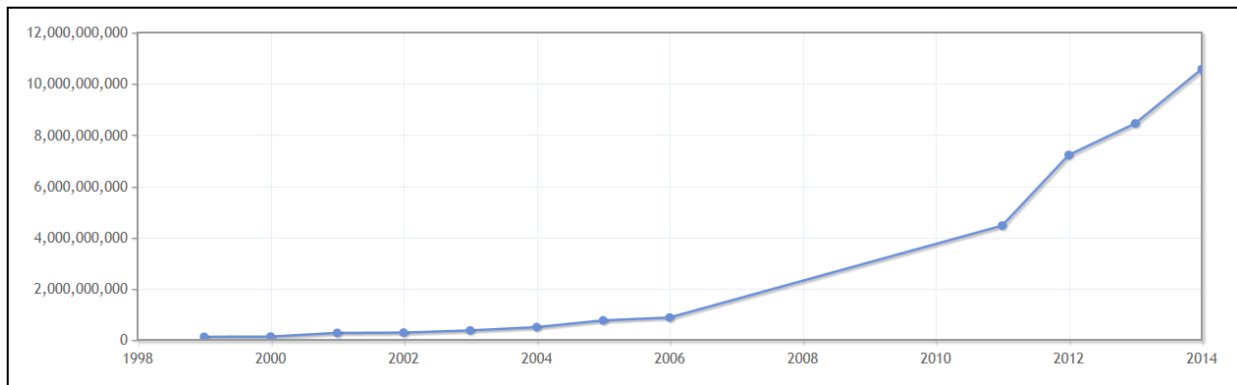


Figure 9 Qatar International Tourists Number 2014

### 5.6.7 Airlines and Economic Development

There is a noticeable competition between several luxurious air fleets; airlines are important elements that can enhance the state economic growth. The privilege of global connectivity provided by the airline is that it enhances the tourism sector of the state. Emirates airlines and Qatar airways are two of the best luxurious airlines in the world, both fleets always occupy a place in the airline world ranking. “Both are consistently rated amongst the world’s top airlines. “In 2014, Qatar Airways was ranked number 2 and Emirates was ranked number 4 at the 2014 World Airline Awards.”(News 24, 2015)

What can be compared here is the establishment date in order to measure the development of the state and the global ranking of the airlines. Emirates airline was established in 1985 while Qatar airways was established in 1994 and that illustrates Dubai’s government early role in enhancing the development of transport facilities through the airline. However, last year Emirates airlines ranked 1 while Qatar airways ranked 2. (World Airlines Award, 2016) Moreover the number of destinations is another indicator on the airline success where it shows the airline’s ability to reach several destinations. Traveling to great number of destinations also attract more people from different nationality and encourage them to travel on board the airlines that fly wider number of destinations. Both emirates airlines and Qatar airways succeeded to

expand their destinations through adding more destinations from time to time. Currently, Emirates airlines fly to over 150 destinations and it continue to expand its destinations number. (Emirates, 2016) Today Qatar airways fly to more than 150 destinations. “Qatar Airways’ spans its route network to more than 150 destinations on six continents around the world” (Qatar Airways, 2016) so when it comes to number of destinations, both emirates airlines and Qatar airways are comparable as both airlines achieved great progress in expanding the destination.

Therefore, the previous comparison discussion shows that Dubai is advanced and more developed than Qatar in several sectors including the diversification in GPD, trade and free zones, the size of manufacturing and human development. Yet, that doesn’t mean that Qatar doesn’t have great rank in these sectors, rather it didn’t achieve the same level of development as Dubai and it want able to adopt more advance and diversified economy. Qatar focuses on rentier state and its great gas preserve led the state experience different development strategies away from free economy and diversification. Development state theory is the perfect approaches that can explain the differences between the both states in the previous comparison discussion, as it explain how both state designed its development approaches depending on its resources and comparative advantages. Again the flying gees theory can help to understand Qatar’s desire to develop and its convergence with Dubai in some sectors’ percentages such as airlines and human development where it shows how one state start to invest in a sector or develop and later on encourage other state to do the same.

## **5.7 Summary conclusion**

Development strategies and economic growth factors of Dubai and Qatar were vital elements in determining the economic models and development path of the both states. The fact of same development factors or the shared economic and political aspects between two states



demonstrated that it is not necessary that these two states can achieve similar development. Rather the economic growth factors depend on certain aspects related to the state's location, wealth and the political dynamics and their role in promoting the development. The chapter tried to clarify the development strategies and economic growth factors from different perspectives: first is how these factors contributed to the development of Dubai in an early stage and second how the lack of these factors deterred Qatar from achieving similar development as Dubai. Moreover, it aimed to show Qatar's development model and how the leader, Sheikh Hamad bin Khalifa tended to develop his state with different development strategies that do not contradict with his political interests. The chapter also divided the factors into two types in order to provide more clear explanation on how these factors worked in each state differently depending in certain period of time. Leadership factor was about the modernized leader and when he took place in the state and this element played a great role in accelerating the development process of Dubai, as well as the leader's direction and interest and how it impacted his development and economic strategies. Qatar and Dubai shared many state's based factors, yet some of these factors worked differently and were more effective in Dubai than Qatar. Furthermore, the chapter illustrated the comparative factors of Qatar and Dubai as it aimed to provide a wider perspective of how these advantages also controlled the development model and economic system of both states. Finally, the main goal of this chapter is to show how the different development strategies made Dubai develop faster than Qatar, it aimed to clarify the historical events that persuade each state to follow certain development and economic system. It also illustrated how the economic factors shaped the development system of Qatar and Dubai, the leadership role, the availability and the lack of resources and unique state features have determined the development model of both states. Finally, it provided a comparison between Dubai and Qatar in several development aspects including the GDP, trade, manufacturing and industrialization, Human development, tourism and airlines in order to show the differences between Qatar and Dubai development.

## Chapter Six: Cosmopolitan Vs Modern Traditionalism.

### 6.1 Introduction

The transformation process of a city is usually accompanied with several changes that include the introduction of certain origin of environment which may affect the original culture of the state. The development comparison between Qatar and Dubai encourages the researcher to look at certain environmental aspects that made Dubai's development features different from Qatar. Furthermore, the researcher desires to illustrate how some development strategies force the state to dispense certain aspects of its main culture in order to create certain environment and that was the case of Dubai. One of the unique features that characterizes the transformation nature of Dubai is the cosmopolitan nature where the economic globalization and urban evaluation enabled the city to become a domain for various culture, norms, religions' aspects and languages. On other hand, Qatar development strategies enable Qatar develop within its traditionalism environment, the conservatism aspects of the city were sustained due to certain political and economic factors. In other words, the Qatari government tends to adopt a development model that can maintain and protect its traditionalism environment.

Explaining the influences of cosmopolitan and traditionalism will add great value to the research by illustrating how these notions lead the both states to adopt different development strategies and achieving different economic growth. Thus, this chapter will clarify the three following elements in each state:

- Definition and feature of the origin of environment
- Factors supported the creation of the origin of environment
- The historical context behind adopting cosmopolitan in Dubai and maintaining traditionalism in Qatar.

Moreover, the chapter will explain how these notions took place in Dubai and Qatar development stages based on Rostow growth model. The chapter will illustrate the growth stage that includes the introduction of a cosmopolitan nature and the factors that support the creation of cosmopolitan city of Dubai. In addition, it will clarify the notion of traditionalism society of Qatar and how the traditionalism was maintained in the development plan of Qatar. In a discussion paragraph, the chapter will explore a comparative discussion that explains the relationship between the concepts and the development strategies of each state and how these concepts lead Qatar and Dubai adopt different development strategies and economic model.

## **6.2 Dubai's Cosmopolitan Nature**

Definition and features: cosmopolitan concept can be understood as one city that can be a global destination where various nations can practice and perform various norms, language, habits and culture. Roger Scruton defined Cosmopolitan as “ the belief is, and the pursuit, a style of life which Shows acquaintance with, an ability to incorporate, the manner, habits, language and social customs of cities throughout the world. Cosmopolitan is seen as kind of parasite, who depend on upon the quotidian live of others to create the various local flavor and identities in which he dabbles.” (Waldron, 2000, p.227) Cosmopolitan's main features as culture diversity, liberal government system, globalized economy and government tolerance of religion aspects. Cultural diversity is about the existence of various cultures practiced and exchanged by several nationalities, and liberal government system reflects the freedom in polices imposed by the government; cosmopolitan concept is linked to liberalism where the government impose liberal and flexible polices. The globalized economy is about economy diversification consisting of several types of manufacturing and industries, and finally government intolerance against religious extremism and less interference into people's religious issues.

Dubai has experienced two contradictory environmental origins: Traditionalism and cosmopolitan, traditionalism era reflects the time during Sheikh Saeed where there was no place for the term development in his dictionary. However, the 1970s witnessed a tremendous change in the environmental origin as Sheikh Rashid decided to transform Dubai into a global city; his strategic plan included an overall reform of Dubai government and economic policies as he aimed to impose more liberal economic rules that can support the development of the city. According to Keith (2005) “cosmopolitan from a political theory perspective is about searching for new forms of liberal government in the face of intensifying forces of economic globalization.” (Keith, 2005, p.2) On what basis can a city be defined as cosmopolitan? There are certain criteria and indicators that can clarify the environment of the city. More than any GCC states and cities, Dubai is considered as cosmopolitan city, its diversified economic model and liberal commerce nature converts the city into multicultural zone where many people from different nationalities become familiar with different cultures. Several factors in Dubai society support the fast creation and the expansion of the cosmopolitan nature, the small size of original population, the massive urbanism with unique architectures and citizen acceptance of change and reform which took place since early 1970s.

Moreover, the globalized economic environment and the great territory's size lead to great flow of migrants and workers from various nationalities. The flow of migrant workers has increased the population number to more than two million “Dubai is the largest city in the Emirates, with a population of nearly 2 million and more than 70 nationalities (Mahdavi, 2011). In addition, Khaleej Time published a recent article about multiculturalism in Dubai; the report clarified how the great percentage of 83% of foreigners placed Dubai as the most cosmopolitan city in the world. The influx of people from various cultures and countries to the UAE resulted from the tremendous growth that took place particularly in Dubai. (Kapadia, 2016) Likewise, the massive urbanisms with international style also contributed to the cosmopolitan environment of Dubai, the global architectures of the buildings enrich the city with

multicultural concept and that support Dubai to become a global city. According to Al-Darmaki (2008) “Dubai successful effort for urban mega projects offers a great opportunity for the city to become a successful global economic environment. (Al-Darmaki, 2008, p.1) Citizens’ acceptance of multiculturalism is another factor that facilitates the creation of cosmopolitan environment. The people’s early experience of reform made them receptive to any cultural changes and transformation, it also made them accustomed with various nationalities and foreigners from different back grounds. Another fact about the society acceptance of multiculturalism and reform relies on certain strategies of the government about limiting the freedom of opinion and democracy of the issues related to government decisions and initiations. In his interview, Gengler, a Research Manager in Qatar University, clarified that conducting surveys or people’s opinions regarding any reform is not easy and almost not allowed by the authority due to certain security aspects. The state doesn’t want any interference of public opinions of citizens satisfactions impact the stability of Dubai city or deter any change from taking place. (Gengler, J. Personal Communication, November 16, 2015)

The historical context behind Dubai cosmopolitan is mainly related to economic concerns and leadership interests. The economic concerns are about the early consideration of the oil based economy model and its deficiency in sustaining the economic growth of the city. Moreover, the small size of oil and its low competitiveness in the natural resources field encouraged Dubai to move away from oil economy toward a more enhanced model. Moreover, the early vision of developing Dubai designed by the modernized leader, Sheikh Rashid, required Dubai to rely on development and economic professionals and expatriates and to depend on great number of labors from poor countries in order to achieve the development projects. The diversification of the economy and the flow of migrants and workers, the multicultural environment were key elements for Dubai economic growth and development. The non-oil sectors investment enhanced Dubai commerce and flourish Dubai’s GDP. Ahmed Kanna (2011), an associate professor of anthropology in the University of Pacific, described

Dubai in a recent study as a fashionable global city. A city that is no longer reliant on the oil economy and oil revenues, he added that Dubai's economy has significantly diversified through various revenues coming from three consistent sources: the global financial services industry, a massive real estate sector, and tourism industry. (Kanna, 2001) Moreover, the cosmopolitan aspects were introduced in Dubai in an early stage, mainly before Sheikh Rashid took over Dubai. Adopting a free economic system encouraged different nationalities to choose Dubai as a destination for investing and trading. The following statistic chart shows the Dubai rank within most cosmopolitan cities and states. In a recent study about the cosmopolitan in Dubai by Inhom (2016) stated that the founding of the Emirati nation-state on 2 December 1971 coincided with a period of hyper-development initiated by Sheikh Rashid; this development process resulted in the influx of foreigners into the country particularly in Dubai. The massive infrastructure projects demanded Dubai to rely on expatriates and as well as thousands of labors from South Asia. The great migrants from different nationalities and the export of laborers from different countries made UAE, and especially Dubai, to become multinational and multicultural. (Inhom, 2016, p. 25) The cosmopolitan concept has even expanded more during Sheikh Maktoum bin Rashid who ruled Dubai in 1990, and in 2006 Dubai multiculturalism and global economy continued to more advanced level under Sheikh Mohammed bin Rashid.

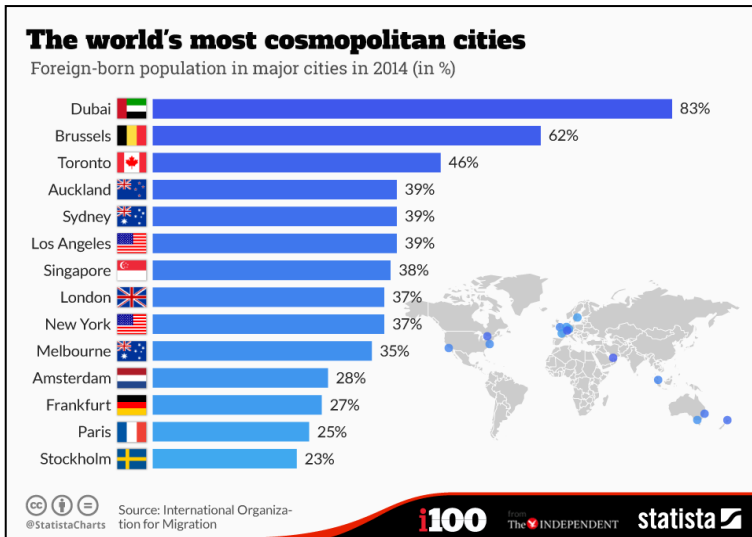


Figure 10 Dubai Cosmopolitan Global Rank 2014

In order to embed the Rostow model of growth, the cosmopolitan concept took place in Dubai since the second stage of growth which is “pre-condition for taking off” stage as the state starts to export oil and use the oil revenues in enhancing the trading, commerce and manufacturing. Moreover, during the same period of time Dubai witnessed a great flow of labors and migrants who supported the creation of the cosmopolitan environment in Dubai.

#### 6.4 Qatar Modern Traditionalism

In comparison, Qatar’s path has been different from Dubai and the previous discussed nature doesn’t apply to it. The adopted strategic plan aimed to develop the state of Qatar without impacting its conservative environment. Therefore, the coming paragraphs will explain in detail why Qatar is different and why it didn’t establish same environment origin as Dubai.

Definition and features: Modern traditionalism is about initiating development and enhancing the urbanism yet this development is not jarring with the traditional aspects and the conservative environment of the state. A study reviewed by James Rice in (2005) concerning environmental degradation in US and India, explained modern traditionalism as the aim to

transform old methods of behaving into standards of action with definable limits set by the conception of the state identity itself.” (Rice, 2005, p.74) The modern traditionalism is a discipline of traditionalism environmental origin, where the modern traditionalism tended to inherit development and reform with keeping the traditional values and conservative aspects as the key social forces in the societies. Main features are:

- Conservative less liberal government
- Minority culture
- Development controlled by traditional aspects

Conservatism reflects the society’s respect to the culture, value and religious principle, minority culture relates to the practice of the main culture of the state determined by the tradition and religious value. Development controlled by tradition reflects the development progress of the state in the fields of economic growth, education, technology without violating the traditionalism aspects. “One of the smallest and least known countries in the Arab world, Qatar is, after Saudi Arabia, the most conservative and most traditional society in the Persian Gulf, where Wahhabism, a strict interpretation of Islam, is the official religion and falconry and camel racing are national pastimes” (Weaver, 2016)

There are certain factors that supported Qatar to develop by maintaining its modern traditionalism, including the great size of gas and oil, leadership interests, state’s high tolerance of religion and conservative aspects. The rentier economic system’s great revenues enabled Qatar to develop and enhance its economic growth without resorting to multiculturalism. Modern traditionalism environment did not deter Qatar from achieving great development during the Sheikh Hamad era. Leadership interest is another vital factor that supported the development under the modern traditionalism, Sheikh Hamad tended to develop Qatar and enhance its economy, but without impacting the minority culture aspect of his state. He aimed to avoid any profound reform that can impact the satisfaction of the citizen or impact the state – society relations. Qatari society is known of its conservative nature and promoting great reform



or change in one time without gradation can interfere with the stability of the society. Accepting any foreign influence or western aspects is not easy among Qataris, the economic reform can impact introduce many foreign and western aspects that might impact the society, this fact is supported by one of the social survey conducted by the Social and Economic Survey Institute in Qatar University in 2011 (see Figure 11). Moreover, Sheikh Hamad’s interests was not fully directed to economic development, rather he desired to elevate Qatar’s political position in the world political map. Even though it implemented development, Qatar’s still keen to protect the conservative values in the society and preserve the traditional customs and beliefs.

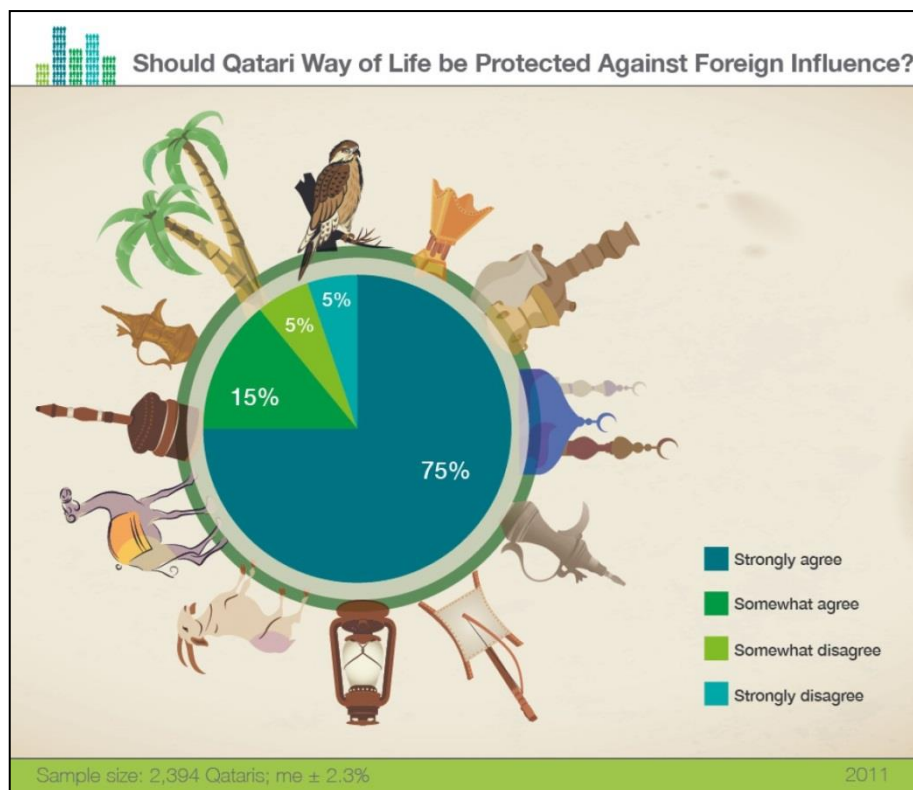


Figure 11 Qatari Perceptions of Foreign Influence on their Society 2011

The historical context: the whole story of Qatar’s development relies on the rentier economy; the great gas reserve leads Qatar to avoid the existence of multicultural concept in its society. Qatar has experienced two environmental origins, traditionalism and modern traditionalism. Traditionalism society was during Sheikh Khalifa bin Hamad who preferred to maintain the traditionalist values of the society and improve certain services and sectors to

enhance people's life style. Moreover, pre -Sheikh Hamad era Qatar was not more than a traditional desert state that depends on oil and gas revenues, the conservatism principles were highly respected by the society. However, Qatar's nature has changed when Sheikh Hamad took over and transformed Qatar to modern traditionalism state, many development projects took place and many economic policies were reformed. Sheikh Hamad introduced certain neoliberal polices in order to enhance the economic growth of the city, yet he was aware to adopt gradual development plan that can prevent any culture's challenges or society instability. Sheikh Hamad tried to advance Qatar traditional economy by developing advanced economic system that depends on knowledge and technology. "Since the rise to power of the current Amir, Shaikh Hamad bin Khalifa Al Thani, in 1995, he has gradually introduced neoliberal policies in an attempt to build a knowledge-based economy."(Scharfenort, 2012) Moreover, urban development was one of the major signs of Sheikh Hamad's time, a significant change was noticed on the infrastructure of the state, and new buildings with modern architecture filled great spaces especially in the capital Doha and in Dafna district.

Furthermore, Qatar's development strategies required Qatar to import and welcome many expatriates that can support the process of development; the population size increase as a result of the great labor, yet the increase in population size was controlled by restricted policies from the government. Foreigners' rights and cultural practices are monitored by the government and most of them have only temporary residence, the restricted sponsor system and limited rights challenged Qatar in 2014 when the labor human rights criticized Qatar for its controversial system of labors. In a report by Al-Jazeera (2014) Sheikh Mohammed Bin Jassim Al Thani, Qatar's assistant Minister of Foreign Affairs explained that the sponsorship system was developed at a different time to support different state's plan and it only fits the old situation of Doha before the wave of development. However, today the situation has changed and due to the great flow of the expats and labors, we certainly need to carry out many

changes.(Bollier, 2014)

However, when Qatar witnessed another transition of power by Sheikh Tamim bin Hamad, the political interests is again a shared aspect between the father and the son. Some argue that the development process slowed down when Sheikh Tamim ruled Qatar in, the younger emir is more conservative than his father and thus the expanding the liberal principles in the society is something unlikely to take place at the current time. In addition, he aims to protect his state's identity and religious values that can result from any introduction of more liberal aspects or multiculturalism in the state. According to Mcelory (2013) "The new emir is said to be more religious than his father, and pressures have been growing on the government to do more to preserve Qatar's Arab identity and conservative ideals." (Mcelory, 2013) In addition, FIFA World Cup 2022 is again another threat for Qatar's society where Qatari citizens are afraid that these sporting events will impact their religious environment and harm their conservative aspects. According to Doherty (2012) "Qatar is spending massively to modernize its capital ahead of the 2022 World Cup, leading conservative Qataris to worry about how this will affect the Islamic nature of the Gulf state." (Doherty, 2012)

Embedding Rostow model of growth on Qatar's development is difficult, first of all Qatar didn't pass through several stages of growth and if the research will embed the model of Qatar, the only applicable stage is the traditional society stage and take off stage. This stage didn't take place before 1995 where the oil revues and gas exporting enhanced the economic growth of Qatar. The transformation from traditionalism (traditional society stage) to modern traditionalism took place on the third stage of growth and since Qatar's development didn't pass through gradual stages, certain Rostow growth stages are not fully applicable for Qatar's growth model. Rather, Rentierism theory is more applicable to describe Qatar's development as oil and gas were the root for Qatar's current development and economic growth.

## **6.5 Summary conclusion: Cosmopolitan vs. Traditionalism**

The previous discussion clarified in detail the type of environmental origin each state adopted and the historical context of the factors that encouraged Dubai and Qatar to adopt or develop such environment origin. Dubai and Qatar's adoption of certain notions was due to certain political, social and economic factors that encouraged the state either to develop under traditionalism or develop in a cosmopolitan environment. Dubai desires to develop its position in the global economic world, while Qatar desires to enhance its political interests and this was more important than diversifying its economy. Another important fact related to the state's reserve size of natural resources, the size and the lack of the natural resources has highly controlled decision and development strategies where the small size of oil forced Dubai government to create certain environment and accept global aspects in order to progress and develop. However, the situation for Qatar was different, the government was able to implement development without being exposed to a number of multicultural aspects, the great gas preserve enable Qatar to achieve great development under Sheikh Hamad and to modernized Qatar under modern traditionalism environment. Therefore, the findings of this chapter can be summarized as:

- No or limited options: Dubai's decision to reform its economic system and adopt liberal model forced it to accept all the changes that can impact the society's cultural aspects including the identity, value and custom. Qatar's option on other hand was better as it was able to develop and reform without profound change in the environment and the state's culture aspects, the development was achieved under them modern traditionalism environment. Even though there were liberal rules imposed by the government, the conservative values were more preserved by the state, traditionalism and the conservatism aspect of its society.

- State society relations is another factor that shows the difference between Qatar and Dubai environmental origins and how the cultural change was accepted by the society. The implementation of reform and change in an early stage facilitates Dubai's acceptance of its citizen of the cosmopolitan and the inhabitants of multicultural aspect in their city. The gradual stage of development rather supports Dubai to achieve its development vision and maintaining the social stability of people. Benefits of the gradual change helped Dubai's citizens to accept any changes made by the government. Another fact about Dubai government and the democratic aspects, Dubai government is more conservative regarding the citizen opinions in the city's decision of economic and social change. In addition, Dubai is still trying to develop professional statistical program that can insure the collecting of people's feedback regarding any social or economic change and thus new survey Centre was established, Dubai Statistical Centre that aims to collect accurate data from people regarding the polices makers and their different economic and social reforms' decisions. "The aims of the DSC include establishing an advanced statistical system for Dubai, contributing to the social and economic development of the emirate, and providing statistical support to policy decision makers to assist with policy development and to measure performance."(O'Connell, 2015) In contrast, the case of Qatar is different with the reform being introduced in a late stage, mainly in 1995 and that made the decision to change the nature of minority culture or developed multicultural environment more difficult. Qatar's society's opinions and citizen' has more freedom and democratic aspects regarding people's opinion on state's decisions of reform and change.

The relationship between the success of development and the environmental origin: each economic, model requires certain criteria and rules that the state should be aware of before adopting the model. Globalized economic and diversification system required Dubai to

implement and promote massive change in its government, state's different policies and the culture's values. Moreover, it forced the state to develop a certain environment that fits the chosen economic model, the diversification economy and liberal commerce system require multicultural origin and thus Dubai decided to introduce cosmopolitan aspects in its city to insure the success of its economic development. However, Qatar's modern traditionalism didn't deter the state from achieving massive development and enhance its infrastructure. The rentier economy supported Qatar's development, the oil based economy allowed Qatar to develop and preserve the traditional and conservative aspects at the same time. What can be understood from this discussion and previous works that the development strategies are the main determiner for the origin of environment of the state.

## Chapter Seven: Conclusion

### **7.1 Introduction**

This research started by revising comparative literature on Dubai and other GCC states development's strategies. Then it moved to single level by selecting previous studies on Dubai's development process and then on Qatar's development strategies. The research illustrated how the shared political and economic aspects between Qatar and Dubai were not enough to make Qatar achieve the same, or even similar, early development as Dubai. Dubai was able to adopt unique development strategies that converted its city to a global hub at an early stage. Moreover, when Qatar decided to catch up with the development wave, it decided to adopt different development strategies with less reform of its rentier economic system.

In light of this, the research asked the question of why Qatar failed to match Dubai's economic development, and to what extent political and economic different factors have led the two states to develop different rates. The study used three main theoretical frameworks, including Rostow Growth model, which suggests that the state's development and economic growth take place according to certain stages. It then examined these stages and how they can be applied in order to understand Dubai's development. Moreover, it also used Development State theory in order to show how the lack of certain state resources encouraged each government, Dubai and Qatar, to draw certain economic strategies that fit their economic conditions. Moreover, the flying geese paradigm was also used to show how Dubai was a leading city in the region where it decided to adopt development in an early stage and later on it encouraged its neighbors to catch up with its development. Rentier theory was also used to clarify how Qatar developed without moving away from its oil based economy. yet the state development theory was the most helpful paradigm as it almost explain or provide quite complete picture of why Dubai developed faster than Qatar, it helped the researcher to understand the development approaches designed by both state and how these approached

encouraged one state to develop before the other one. The research aimed to create a more profound picture about the strategic reasons behind Qatar's and Dubai different development strategies by looking at the political, economic and social aspects role of the state, and how these aspects determined the development path of the state. Through seven chapters, the thesis tries to discuss each aspects and elements that have to do with the different development strategies adopted by Dubai and Qatar.

The overall research findings were as follows:

1. The early consideration of the small oil size of Dubai encouraged development and enhanced its economic growth from an early stage while Qatar's great oil and gas size encouraged its leader to maintain the rentier economy
2. Unlike Qatar which was ruled by a progressive monarch only after 1995, the existence of modernized monarchs in Dubai since 1970s accelerated Dubai's development
3. The early existence and design of a state's vision supported Dubai's development success, where the concept of state's vision in Qatar wasn't defined before Sheikh Hamad's era
4. The differences in development strategies, economic growth factors and state's comparative advantages of Dubai and Qatar were also vital elements in clarifying the different development path of the two states.
5. Finally, the origin of environment and society nature played a significant role in controlling the development strategies and economic model of the state. Chapter six focused on the approach of Dubai cosmopolitan and Qatar's modern traditionalism as an important approach that supported the research arguments in defining the reasons behind Qatar and Dubai's unmatched development path.

The research tended to add more value knowledge concerning the different development



strategies adopted by Dubai and Qatar, and why Dubai was able to develop in an early stage; it attempted to cover all of the dimensions that impacted the development path of Dubai and Qatar.

Thus, the research's significance stems from three reasons:

First there is a shortage of academic studies concerning the direct comparison between Qatar and Dubai's development strategies and economic models.

Second some of the previous studies have assumed and emphasized that the different development path adopted by Qatar and Dubai resulted mostly from economic factors of the states. In other words, most of the previous studies on Dubai and GCC states economic models tended to test and examine the role of the economic factors and state resources in determining the different development paths without giving serious consideration to the other state factors that have great contribution to the development strategies of the state.

Third, after reading various studies on the topic, the researcher has not found any empirical facts on the leadership direction and political interests of Qatar and Dubai and how it controlled Qatar's development strategies.

In conclusion, Qatar and Dubai's different development strategies and economic growth resulted from various economic, political and social aspects. The shared political and economic foundations between the two states are not necessarily able to make Dubai and Qatar achieve equal development, rather it's about how the intersection of politics and economics, and how it contributes to the development path of the state. In fact, in order to adopt or implement same economic model of Dubai, Qatar have to give up many aspects related to the society traditions and demography. In other words, the state should recognize the social cost of implementing such models that depends on many liberal principles.

## **7.2 Limitations**

The research was afflicted by a number of limitations during the course of collecting data. The researcher faced specific limitations in certain chapters that led to gaps during the

discussion. The main limitation in chapter one was the limited literature on the subject of a direct comparison between Dubai and Qatar's economic models, with the incorporated literature largely being a comparison between Dubai and other GCC states. Moreover, the noteworthy limitation in the methodology section was the unexpected withdrawal of the economists during the process of collecting primary data through interviews, which impacted the observation plan designed by the researcher. This limitation pushed the researcher to build its argument in certain parts of the research depending on the written resources and publicly available printed material instead. Another limitation exists within the theoretical framework, even though the Rostow model was very useful in explaining the development stage of Dubai, subsequent stages in the model are not necessarily appropriate to Dubai's development. Furthermore, it was developed to explain the development in Europe and United States thus its context is more applicable for Western nations and United States. Collecting data about Dubai's social perspectives of citizens and how people perceive development in Dubai was also a limitation as Dubai authority doesn't allow any social survey to be distributed to the citizens. Other limitations included limited resources about Qatar's political interests and Qatar's state's vision before 1995, this limitation impacted the research as it did not allow further analysis on why Qatar didn't manage to develop at the same time with Dubai.

### **7.3 Suggestions for Future Research**

In this research, progress has been made in clarifying the factors behind different adopted development strategies between Dubai and Qatar, yet the research encourages further examination in the area of oil and natural gas sectors, and how these particular resources impact Qatar's political interests and direction. Moreover, an examination in the area of oil and how the destabilized global energy markets will impact Qatar's development strategies is necessary for future researchers to explore in a time of changing economies and the end of the rentier state.

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### **Appendix A: Justin Gengler Interview**

1. Does SESRI conduct any survey outside Qatar?
2. What kind of survey does SESRI look for to conduct on Qatar and regional states?
3. What kind of survey did SESRI conduct for the social impression about any reform or development process in Dubai and Qatar?
4. How is conducting survey in Qatar different from Dubai?
5. What kind of survey studies can SESRI provides me on Dubai and Qatar' social perception and the impact of the demographical structure on the state's development?
6. What other sources of data we can rely on to pull information and statistics on Dubai society and the social perception of people?



## **Appendix B:** Informed Consent

**Title:** Shifting Toward Diversification Economy: Factors Grounded Qatar to match Dubai economic development

**Lead Principal Investigator:** Aldana Jassim AlThani

### **Background**

The significant economic and urban development of Dubai has encouraged many people including researchers and economists to think about Dubai's GCC neighbors and analyze what makes Dubai able to achieve such unordinary enhanced economic infrastructure. However, Qatar's was on the top of the list of comparing Dubai with other GCC states as a result of the similarities founded between the two states. More than any other GCC states, political and economic foundation linkages between Dubai and Qatar have been great factors that could result in similar economic development in both states. Shared oil boom experiences and early political cooperation brought up several significant opportunities where Qatar and Dubai could manage similar economic development. The great economic and political factors linkages between Qatar and Dubai have encouraged scholars, researchers and even ordinary people to place both states on comparison condition in which some would judge, measure and evaluate the economic development based on economic factors shared between the two societies.

### **Introduction:**

You are invited to participate in a political economy research on the development differences between Qatar and Dubai and the factors behind Dubai's accelerated development. We need some information about –any conducted survey that has done on the field of economic development and reform and how citizens have accepted or react toward this development process in Dubai and Qatar. Your help is highly appreciated and important to complete this study. It is entirely your decision whether to participate in this study or not. You may withdraw at any stage you like. This study will not require names or personal identity and participation in the study is completely anonymous and voluntary. You may not benefit from being a part of this study but your participation may help to improve conservation policy in your country.

**Purpose of the study:**

The purpose of the study is to illustrate how the political and economic factors worked different in Dubai in which it supported the accelerated process of economic and urban development. At the same time it will investigate the reasons behind Qatar delayed economic and urban growth and the main factors that anchor Qatar from matching Dubai's development.

**Confidentiality:**

Any information from you will remain confidential between you and the University researchers. You will not be identified as a study participant in any reports or publications of this study. The information will be stored at Qatar University

**Questions or Problems?**

In the event that you have any questions about this study you can contact me on my email [aldana.althani@qu.edu.qa](mailto:aldana.althani@qu.edu.qa)

I HAVE READ THE EXPLANTION ABOUT THIS STUDY. I HAVE BEEN GIVEN THE OPPORTUNITY TO DISSCUSS IT AND MY QUESTIONS HAVE BEEN ANSWERD TO MY SATISFACTION. I WILLINGLY GIVE MY CONSENT TO PARTICIPATE IN THIS STUDY.

Participant Signature

Date

Investigator Signature

Date





