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The Impact of Federal Government Oversight on the Economies of Dubai and Doha

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Abstract:

Located on the Persian Gulf, the countries of Qatar and The United Arab Emirates have many similarities, and one significant difference. Whereas Qatar is an independent country, with uniform laws that rule the entirety of the land, The United Arab Emirates is a confederation of separate emirates that have both local as well as federal jurisdictions. In an effort to expand and grow its economy, the emirate of Dubai has undertaken a building and tourist encouragement program that has often brought their dreams of an oasis in the desert into direct conflict with the overriding federal regulations.

Keywords: *International Business, Travel and Tourism, Government Regulation*

1. Introduction

Towering just over half a mile above the desert and urban sprawl that is modern day Dubai, the Burj Khalifa is a poignant symbol of both the promise, and the harsh reality of the city and emirate that surrounds it. Originally named Burg (mean Tower of) Dubai, the name was hastily changed at the last moment during the official dedication ceremonies to honor the current ruler of Abu Dhabi, Sheikh Khalifa bin Zayed Al Nahyan. The lost prestige of the world's tallest building reflects the economic troubles that have plagued Dubai, and its current ruler Sheikh Mohammed bin Rashid Al Maktoum.

To understand Dubai's current troubles, it is essential to understand its standing within The United Arab Emirates. The United Arab Emirates (UAE) is a confederation of seven independent emirates, each governed by a ruling family who collectively constitute the nation. The UAE formally gained its independence from The United Kingdom on December 2, 1971. Under the guidance of Sheikh Zayed bin Sultan Al Nahyan, the ruler of Abu Dhabi, the core emirates joined to form the UAE. The emirates that constitute the UAE are Abu Dhabi, Dubai, Sharjah, Ajman, Fujairah, Ras al-Khaimah, and Umm al-Quwain.

Abu Dhabi is the largest of the seven emirates in terms of land mass, and controls virtually all of the oil and gas wealth of the nation. Since the death of Sheikh Zayed on November 2, 2004, Abu Dhabi has been ruled by his son Sheikh Khalifa. Abu Dhabi controls seven percent of the world's proven oil reserves, which accounts for over 95% of the oil reserves located within the UAE. As a consequence of their petroleum holdings, Abu Dhabi has been able to finance the growth and modernization of the emirate.

In contrast, the emirate of Dubai has been forced to seek other opportunities to expand their economy in the face of falling oil and gas production. Currently Dubai produces around 60,000 barrels of oil a day, which accounts for approximately 2% of the total output for the UAE. Many years before he succeeded his brother Sheikh Maktoum bin Rashid Al Maktoum, the current ruler of Dubai Sheikh Mohammed founded a holding company, Dubai Holding, to begin the process of transforming the city of Dubai into a financial, tourist, and real estate hub for the Middle East. Under Sheikh Mohammed's guidance, such signature projects as the Burj al Arab, the iconic sail shaped luxury hotel; the Palm and World Map shaped man made islands; and the afore mentioned Burj Khalifa were all conceived and brought into existence. However, the dream of transforming Dubai's economy to accept and accommodate the desired foreign tourists and investors has been stifled by the realities of existence within a more conservative, traditional Muslim based country.

2. Tourism in Dubai

Dubai seeks to become one of the more sought after tourist destinations in the world. Iconic architectural structures, world class shopping and warm sandy beaches have positioned Dubai as one of the most known cities of the Middle East and the world. Dubai has invested heavily in tourism development in the past decades. Dubai has used its oil revenues to build the tourism industry which has paid heavily as the tourism industry is booming and has become a national identity of Dubai. It has made a name of itself in tourism and was competing with Las Vega, which is considered as the tourism capitals of the world. At one time, Dubai had the highest occupancy rate of hotels in the world.

The Emirate of Dubai has invested heavily in the necessary infrastructure to encourage business and tourism. The Jebel Ali port complex is one of the largest ports in the world. In addition to large facilities to facilitate container shipping, the Jebel Ali facilities also include purpose built docks for the use of United States of America Navy. The current Dubai International Airport, located with the center of the city the busiest airport in the Middle East. It has been joined by the Al Maktoum International

Airport facility which has recently opened near the Jebel Ali port complex. Together, these two airports should provide more than adequate capacity to handle the passenger and cargo traffic for the foreseeable future (Al Maktoum, 2011).

Dubai has also become a world leader in iconic man-made island structures. Completed in 2006, the Palm Jumeirah is the smallest of the man-made island structures in Dubai. However, at just over three miles long and three miles wide, Palm Jumeirah was the largest man-made island when it was completed. Two other projects, the Palm Jebel Ali and the World Archipelago are under construction. Though Palm Jumeirah is complete and mostly fully developed, the Palm Jebel Ali and the World Archipelago have been placed on hold due to a financial crisis in Dubai that began in 2008. (McLean & McDonald, 2009).

The global economic crisis has cast a shadow on Dubai. In 2008, the world was hit by the subprime crisis, and there was a high fall in housing prices across the globe. During the first half of 2009, Dubai started to get into really serious problems. In summer 2009, Dubai already had all the signs of being the mother of all housing bubbles in modern history. Real estate prices fall by 40% in just 6 months. In November 2009, Dubai World, a semi-public company, announced that it could not cope with the maturity of debt to be repaid or amortized in December. It caused nerves in the international financial markets. Dubai World owns 77% of DP World, one of the largest ports in the world, as well as many real estate assets primarily in New York and London. The major creditors of Dubai World and other companies were the British Banks. As a result of this crisis, a lot of development projects stopped in the middle, it had to lay off some workers, and the recession clearly led to a decline in property prices and rents.

Two man-made islands, known for skyscrapers and luxury hotels, Dubai has been a tourist attraction in the eyes of Westerners. The crisis was a major blow to tourism. During the first half of 2008, Dubai's major hotels had incredible occupancy rate of 85%, which ranks first in the world. Hotel tourism revenue is accounted for 30% of local GDP. However, the financial crisis, Dubai tourism industry has lost its former fire, and the occupancy rate declined to 50%.

After three years of the crisis, it started to recover, and construction work started in many of the projects that had been parked. In 2011, Dubai hit all expectations and recorded an acceptable and decent growth, led by real economic sector free of speculation, and tourism sector which a registered remarkable growth. The business sector, manufacturing industry, aluminum industry and foreign trade were also the reasons for recovery from crisis. Reports and statistics confirm the strength of Dubai's economy and its international standing. Many major international companies prefer to work and invest in Dubai today. Though it had a hard time, but Dubai's tourism industry is still relatively optimistic about the future and setting target of attracting 15 million tourists per year target by 2015.

3. Tourists being Arrested in Dubai

Visitors to Dubai must comply with local laws and customs of the country. The United Arab Emirates remains a conservative Muslim country where things out of the domain of Islam are strictly prohibited. For example, there are several restrictions that even non-muslims are required to follow during the observance of Ramadan. Ramadan, which falls on the ninth month of the Islamic calendar is a worldwide period of fasting and increased religious observation for practitioners of the Muslim faith. During Ramadan people are not allowed to eat, drink or smoke during the day in public places. Even consuming food, or water in your car is considered disrespectful during Ramadan, and therefore illegal. Anyone, including tourists, seen to be in violation of the law can be arrested. Most restaurants will be closed during the day during Ramadan. Tourists can eat a few stores, with the windows closed on the views from the street. Even one's clothing should be chosen with more care during Ramadan. During the holy month of Ramadan, dress codes are enforced more strictly than usual.

Similarly, there are some other rules and regulations, like kissing in public is not allowed, and one month's imprisonment was imposed on a British couple who kissed in public, on complain of a women. This incident is not the first of its kind. In 2008, another British couple had hit the headlines by making love on a public beach in Dubai. Sentenced to three months in prison, the couple, not married, had his sentence suspended on appeal, before finally being deported. Last year, Dubai police arrested 6,000 people on the beaches for molestation. The code of conduct issued by the Executive Council of the emirate is clear as the only show of affection tolerated for married couples as unmarried is to hold hands. The hugs and kisses are considered offensive. As for the dress code, it requires men and women wear bathing suits accepted by the culture of Dubai. The nudity, including sunbathing topless is strictly prohibited and punishable by imprisonment or deportation.

There was another incident where a female tourist was believed to have been arrested after a complaint, because she was dressed indecently in The Dubai Mall, which opened its doors in 2009 and is the largest shopping center. It is believed that the British woman who was walking through the mall with a rather revealing top, prompting a complaint from a local woman. This is not the first time that a single complaint from a local Emirate has led to an arrest.

A person named Andrew Graham came to Dubai as a tourist, but never imagined that his visit could last for a year, not as a guest at the luxurious Burj al-Arab, but with free lodging in a prison. This British tourist was being prosecuted for having committed a serious offense for allegedly insulting Islam and had said that the prophet Muhammad was a terrorist. Graham alleged that Muslims and the Prophet Muhammad are terrorists. So all the tourist and visitors should not violate the laws and thus spoil their holidays instead, should enjoy the beauty of the country by conducting them properly.

4. Qatar

The State of Qatar and its capital Doha is one of the most dynamic countries in the Middle East. Under the leadership of its ruler, Sheikh Tamim bin Hamad bin Khalifa Al Thani, Qatar has also been on a program of growth and expansion. Qatar's young population directly influences the booming economy and the modernization process, which has been accelerating year after year. Qatar, a member of Gulf Cooperation Council and official state for holding the meetings of the World Trade Organization and the Organization of Islamic Conference. It also houses the satellite television channel Al Jazeera. Education City and Qatar Foundation are the center for research and education transforming the youth of Middle East into more ambitious one. This

peninsula has a varied landscape, from sand dunes in the south, desert plains and rocky in the north, with widely scattered areas of crops. Soft and cozy in winter with occasional rainfall, the weather turns hot and humid in summer. For many centuries, Qatar focused on breeding camels, fishing and pearling. Everything changed in the 20th century with the discovery of large reserves of oil and gas in the northeastern coast. Qatar has one of the largest gas fields discovered to date, and is among the leading exporters of liquefied natural gas and condensates. It is expected that in the coming years the country has the highest per capita income in the world (Peck, 2004).

Qatar is experiencing phenomenal economic growth (18.5%), the largest in the region, thanks to its exports of oil and gas: the World Economic Forum ranks the peninsula among the most competitive countries of the world and grants them the 17th place ranking in 2009 – against 22nd place in 2008. GDP is estimated to \$ 83.29 billion in 2008 (against \$73 billion in 2007) and per capita income would be \$ 101,000 in 2008 (against \$ 73, 900 in 2009) propelling Qatar among the richest countries in the world. Growth has especially increased since 1991 when phase one of the project ‘North Field’ was completed. The country’s budget surplus amounted around \$ 1.8 billion (2007/2008). Qatar holds about a third of the world gas reserves after Russia and Iran.

Qatar has successfully launched the largest complex of liquefied natural gas in the world (RasGas 3 and 4), starting the largest ethane cracker in the world (conversion operation modifying the structure and molecular weight of hydrocarbons constituting the fractions obtained by the first distillation, carried out in order to obtain lighter molecules). Other projects in the areas of liquefaction, petrochemical, and aluminum production are also developed. Imports came mainly from Europe and Asia. Exports are primarily to Asia: Japan, South Korea and Singapore.

5. Diversification in Economy

5.1. Infrastructure

Building projects like ‘Lusail’ 200,000 people expected, 35 km², and ‘Energy City’ are developed by Qatari Diar, a new airport is under construction, a new port-backed free zones, and improvement in tourism industry (hotel capacity, new museums, malls etc.) Are the major infrastructure programs (Madra, 2010).

5.2. Education City

Qatar, a country dynamic and ambitious, learned out of anonymity and become one of the most progressive nations in the Middle East. Its regional and global influence grew as the country was transformed. The flagship project of Qatar Foundation’s Education City, consisting on an area of 1000 hectares located in Doha, which hosts a number of elite educational institutions in futuristic buildings. The major U.S. universities and several centers of research and technology worldwide and settled in the desert to form this oasis of knowledge and innovation (Stalinsky, 2010).

5.3. Sports

Following FIFA's decision to appoint Qatar to host the Soccer World Cup in 2022, the emirate will become the most important construction in dollars per square meter over the next 12 years. Qatar is likely to be the richest nation that has never hosted a World Cup, and now will start a special program spending to build the necessary infrastructure. Designed by the international Monetary Fund’s fastest growing income in the world, Qatar plans to spend 100,000 million dollars in infrastructure by 2015. In this period the country will build a rail network of 25,000 million, an airport of 11,000 million dollars, a deep water port and \$ 5,500 million 1,000 million dollars allocated to link the new airport projects in the north of Doha, the capital. Also earmarked an additional \$ 20, 000 million for the construction of new roads (Sim, 2011).

5.4. Qatar National Vision for 2030

By 2030, Qatar aims to become an advanced society capable of preserving their development and provide a high standard of living for all its inhabitants. Qatar National Vision defines the long-term goals for the country and provides a development framework for national strategies and implementation plans.

Modernizing and safeguarding of traditions are part of the main themes of the national vision of Qatar, but the plan is built around several key objectives. Thus, the ability to secure the future of present and future generations is at the center of the priorities. Qatar’s involvement in this case shows that the country wants to play an important role in the future of the world. When His Highness Sheikh Hamad bin Khalifa Al-Thani presented the National Vision 2030 for Qatar, issued a clear path to achieve it, based on the application of a step by step strategy in which each objective of the National Vision 2030 will transform a concrete reality in 2030. This prepared the National Development Strategy 2011-2016, a plan that will pave the way for economic development, social, cultural and environmental Qatar, Qatar promote prosperity and set the tone for future strategies.

The National Development Strategy, developed under the supervision of the General Secretariat for Development Planning, a balance between the needs of current and future generations, and the imperatives of development, while seeking to preserve and cultivate the traditions and cultural characteristics that make our country a unique place. The National Development Strategy is the result of a consultative process that included the massive participation of Qataris of all segments of society and, therefore, reflects the aspirations, ambitions and dreams of each (General Secretariat for Development Planning, 2012).

5.5. Boosting Tourism in Qatar

Besides being a state with a booming construction industry, the emirate of Qatar has a large tourism sector development. In the next decade, the country hopes to further increase tourism by 150%. The incentive to the development of tourism is another high-stakes Qatari government to diversify economic activities in front of the large predominance of the energy sector. The Qatari hotel

industry expects the number of hotel room bookings grow by 300% as a result of the tourism industry. Thus, Qatar's tourism industry will require dozens of new luxury hotels to keep up with the increase in visitor arrivals. Qatar's own population also is growing rapidly, which increases the commercial prospects of the country and region.

Overall, this expansion of Qatar's tourism sector, coupled with growing demand for housing and urban infrastructure expansion are fueling the development of construction sector in the emirate. In the coming years, the hotel industry in Qatar will require dozens of new luxury hotels to keep up with the increase in tourist arrivals. That in turn is creating a growing demand for a full range of construction materials, equipment, technology, systems and machinery.

This is the context in which lies the great interest of international investors gathering in the lounge Project Qatar 2010. That is why attendance at the meeting Qatar is a guarantee of progress and high quality exposure for all construction and natural stone. The country will also develop a strong investment in hotel and tourism infrastructure to accommodate the expected influx of World Cup fans. It is expected that the number of hotel rooms in the country to nearly double by 2022 to reach the 95,000 rooms available. Qatar's government will face an investment of 17,000 million dollars in hotel and tourist infrastructure, and 4000 million in the construction and renovation of the 12 stadiums that will host the FIFA World cup in 2022.

5.6. Beaches

Beside the hotel industry, Qatar is also famous for its marvelous beaches. It has almost 563km coastline having plentiful small islets, sand bars and reefs. Some of the famous beaches of Qatar are *Al-Ghariya*, *Dukhan*, *Fuwairit*, *Khor Al Adaid*, *Maroona* and *Ras Abrouq (Bir Zekreet)*. One should always keep this thing in mind that all these beaches are fully equipped with the water sports and resorts for the entertainment of the tourists.

5.7. Museum and Art Galleries

Qatar is also famous for its museums and art galleries. Among the museums, *Museum of Islamic Art* is considered to be the best. The museum contains and preserves the master pieces of the 13th century as well as serves as a hub for communication among different cultures. Some other promising museums of Qatar are *Qatar National Museum*, which is famous for displaying Qatar's history, inheritance, and past environment and current activities to keep an indivisible link between its magnificent past, its affluent present and its promising future. Another museum is the *Weaponry Museum*, which is famous for its impressive display of artillery. The museum holds magnificent ceremonial swords of the warriors of the Gulf of 18th century (Qatar, 2009).

5.8. Rules and Regulations for Tourists

Unlike Dubai in which local regulations often run afoul of federal laws, Qatar has been able to unify laws and regulations within the country and the capital city of Doha. In both countries, large hotels and many restaurant establishments are licensed to serve alcohol. Unlike Dubai in which the sale of alcohol is strictly illegal and may lead to the arrest of anyone partaking at any time, in Doha the government has designated certain areas in which the sale and consumption to non-Qatari citizens as being legal. A large police force has been is available for the protection of its citizens and visitor. Therefore, violent incidents are rare in Qatar. Given that the local and federal regulations have been synchronized to encourage and promote international business and tourism, it is extremely rare to encounter incidents in which foreign visitors to Doha have been arrested and jailed.

6. Conclusion

Much as the mythological Icarus, Dubai has flow a bit too close to the sun, and in doing so has suffered a similar fate. Sheikh Maktoum, the current ruler of Dubai, had a vision, frankly a good vision for how to grow and expand the economic base for his emirate. However, he failed to fully appreciate the cultural reluctance he would encounter from the other rulers of The United Arab Emirates, especially the reluctance of his oil rich neighbors in Abu Dhabi. By failing to gain national support for his building programs, and acceptance of the cultural transformations that would be needed for his expansion programs to succeed, Sheikh Maktoum failed to gain the necessary alignment of national laws and regulations that would allow his visions to be successful.

In contrast, Sheikh Khalifa Al Thani as the current ruler of Qatar has been able to avoid the pitfalls that have befallen Dubai. Unlike the United Arab Emirates, with its many separate entities, Qatar is a single country that does not have to contend with the competing cultural and political rivalries that have plagued Dubai. By being able to coordinate national as well as local policies and regulations, Qatar has been able to grow Doha into a business and tourist destination in the Middle East. Sheikh Al Thani has skillfully and thoughtfully aligned the legal and cultural expectations of his subjects, and in doing so has grown Doha in a wonderful place to visit, live and work.

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