

# Comments in the Economist's article "Rise of the Gulf", 10 Jan 2015

Click [here](#) to access the original article.

DUBAI likes to set records. It has the world's tallest building (the Burj Khalifa), the largest shopping centre (the Dubai Mall) and the longest handmade gold chain (5.52km), to name but three. But beyond mere ostentation, the city-state has more substantial achievements to its credit. In the year to September Dubai airport overtook Heathrow in London to become the world's busiest international hub, with some 68.9m passengers using it yearly.

Oil wealth, geography, ambition and, it seems, canny investment, have turned Dubai into a major transit hub, especially for people and goods moving into or through the Middle East. Emirates, Dubai's flagship carrier, is one of the world's leading airlines. The Jebel Ali port ranks as the world's ninth busiest. Dubai World Central, a logistics hub around a new airport, will be twice the size of Hong Kong island when completed. It is served by some of the world's most modern roads. The United Arab Emirates (UAE), of which Dubai is one of seven federated components, is building a railway, part of a proposed \$25 billion network connecting the six states of the Gulf Cooperation Council (GCC).

Just as important, says Fadi Ghandour, the founder of Aramex, a Dubai-based logistics company, is that the city has excellent "soft infrastructure". "Dubai has the right laws, and officials treat businesses like clients and implement what they say they will," he says. One example is the customs-free corridor between the port and airport, which allows businesses to import and export raw materials without charge. There are no exchange controls and no taxes. Little wonder that DHL, a logistics company, ranked the UAE at number 12 in its annual

global connectedness index, a measure of globalisation, one spot behind Hong Kong and ahead of France and Italy.

Due in part to Dubai's growth, the UAE has become the region's economic centre of gravity, which in turn has encouraged it to become more assertive politically (an ambition driven in part by Dubai's neighbour, Abu Dhabi). ***"It is a defining moment for the GCC to take leadership," says Nasser Saidi, a Lebanese economist based in Dubai. "Only the UAE has the energy, youth and vision to do so—and it seems keen to."*** The UAE's air force took part in the NATO-led combat mission over Libya in 2011 and is currently part of the coalition against Islamic State in Syria (though America continues to conduct the vast majority of strikes). Along with Saudi Arabia, the Gulf's traditional power, it is pumping funds to prop up Egypt's Abdel-Fattah al-Sisi, the general who ousted the Muslim Brotherhood in 2013. The UAE has put pressure on other countries, including Britain, to curb political Islam.

***Part of Dubai's success is down to its location—between Europe, Asia and Africa—and its stability in a region plagued by war and stagnant politics. "It is the only safe haven for everybody in a sea of troubles all around," says Mr Saidi.***

Dubai's rulers undoubtedly had vision. When Mr Ghandour founded Aramex in 1982 he located it in Bahrain, then the region's leading financial centre. By the mid-1980s he had moved to Dubai. Other Gulf states are now seeking to emulate Dubai's success. Little more than an hour down the road from Dubai, Abu Dhabi is expanding its airport, the base of Etihad, another world-class airline. Abu Dhabi has arranged a loan of 300m dirhams (\$82m) to expand its Al Khalifa port.

Qatar has just opened a new airport and Qatar Airways, bigger than Etihad but smaller than Emirates, competes fiercely for passenger and cargo traffic. In the World Bank's Logistics Performance Index, it comes just two places behind the UAE. Oman reckons its port at Duqm, on the Indian Ocean, is more favourable than Jebel Ali, since ships would not have to pass through the busy Strait of Hormuz to reach it. Saudi Arabia is investing \$500 billion in infrastructure by 2020, including

building new cities to spur economic development, a financial centre, a metro, and new universities and schools. Bahrain and Kuwait are spending on infrastructure too.

The question is whether such grand projects make economic sense when oil prices are collapsing and stock markets are declining across the region. Even Dubai has proved fallible. It is only six years since a real estate crash forced Dubai World, the state holding company, to seek a bail-out from Abu Dhabi. The 828-metre-high Burj Dubai tower was quickly renamed Burj Khalifa, after the saviour, Sheikh Khalifa.