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POST EVENT REPORT

# The Dubai Model: An Outline of Key Development - Process Elements in Dubai

Future of Global, Regional & National  
Development Plans Program (GRAND)

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**Overview:** *The report provides an overview of the Dubai development model and its ripples to the MENA region. The challenges faced by MENA including climate change, economic divisions, and resource depletion. The report suggests that policymakers in the region need to adopt a new and disruptive way of perceiving ideas and transforming them into practical reality to achieve sustainable development. The importance of defining development and using a comprehensive definition that encompasses economic development, social development, and environmental protection. The Dubai model is discussed as an example of a successful development strategy, emphasizing the role of collaborative decision-making, private sector growth, and government intervention. The discussion concludes by highlighting the importance of government intervention and collaboration with the private sector for economic development in the MENA region.*



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## 1. INTRODUCTION

**DUBAI, April 12, 2023** – The Center for the Study of Global Economic Future hosted an interview with Professor Martin Hvidt, an expert on the Dubai model and its development process elements. The **Interview With Author** series has conducted as part of Future of Global, Regional & National Development Plans Program (GRAND). The interview aimed to gather ideas about the topic of “**The Dubai Model: An Outline of Key Development-Process Elements in Dubai**”. Professor Martin is Associate Professor, Center for Contemporary Middle East Studies interviewed by Mr. Mahmood Sharif, the Managing Director of CSGEF. The interview provides content for policymakers, development leaders, and practitioners.

## DUBAI'S DEVELOPMENT PLAN

The interview started with the discussion about limitations of the strategic trajectory model in analyzing the development of Dubai and the theoretical frameworks of the Dubai model, particularly the endogenous growth model and the developmental state paradigm. The speaker highlights that the Dubai model is multifaceted and involves politics, economics, and international affairs, making it more comprehensive than the strategic trajectory model. The endogenous growth model emphasizes the role of knowledge and technology in promoting development, while the developmental state paradigm emphasizes the state's capability in initiating and sustaining growth.

The Dubai development model and its relationship with economic models such as the Washington consensus and Santiago consensus was another vital topic of discussion. Dr. Martin and Mr. Mahmood explore the importance of technological progress and the role of the state in economic development. The Washington consensus is described as a strictly neoliberal approach advocating for a minimal state, while the Santiago consensus is seen as a more laissez-faire approach to development Dr. Martin said. The role of the state in economic development, particularly in relation to the Santiago Consensus and the developmental state paradigm was highlighted by the interviewer. As such, the Dr. Martin and Mr. Mahmood discussed how the COVID-19 pandemic has reinforced the importance of the state's role in the economy, and how this relates to the Dubai model and the Gulf countries' centralized government system. The characteristics of the developmental state model, such as the embeddedness of the private sector in government management has contributed to the success of economies in East Asia and Dubai, Dr. Martin said.

It's important to note that the Washington Consensus and Santiago Consensus are both economic policy frameworks that have been influential in shaping development strategies in different parts of the world. The Washington Consensus, which emerged in the 1980s, emphasized the importance of free markets, privatization, and deregulation, and called for a reduced role for the state in economic decision-making. It was promoted by international organizations such as the IMF and World Bank, and was often associated with neoliberal economic ideology.



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The Santiago Consensus, on the other hand, emerged in the early 2000s and emphasized the importance of social policies and the role of the state in promoting development. It called for greater investment in education, healthcare, and social protection, and emphasized the need for governments to actively shape economic policy.

The interview focused on the theoretical framework of economic development and the growth models that have influenced the Dubai model. The old growth model was based on the idea that capital, land, and labor would lead to growth, but it could not explain how growth would work. The new model, called the exogenous growth model, focused on a country's ability to develop technology on their own, leading to faster economic growth. The developmental state theory is also discussed, emphasizing the state's role in development efforts. The Washington and Santiago consensus are compared, with the former advocating for a minimal state and the latter acknowledging the importance of the state in providing public services. Dr. Martin and Mr. Mahmood stressed the impact of these models on Dubai's development, with the Gulf countries being more state-centric and less influenced by international winds.



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The speakers discuss the post-COVID world and how it has reinforced the importance of the state in solving broader health issues. They also talked about the characteristics of the development state paradigm, which includes a centralized government with a capable bureaucracy, embedded autonomy between the government and private sector, and active intervention by the government. They apply this paradigm to the cases of South Korea, Thailand, Singapore, and Dubai, noting the close linkage between decision-making and the private sector in Dubai.

The discussion revolved around the role of H.H. Sheikh Mohammed bin Rashid Al Maktoum in the development of Dubai, his vision and strategies for governance, and the pragmatic approach to implementation. The speakers discussed the importance of collaborative decision-making and creating a collective vision and action plan. They also highlighted private businesses' role in working in the same direction as the government. Dr. Martin emphasized the practical approach to problem-solving and how it contributed to the success of the Dubai model. He added the main characteristics of Dubai's development plan, including fast decision-making, a flexible labor force, and the introduction of a service

More importantly, he highlighted the necessity to sustain these characteristics to continue the success of the Dubai model.

The interview discusses the success of the Dubai model and how it is influenced by the developmental state paradigm, which originated from the analysis of Japan's success. This paradigm emphasizes the importance of centralized government, an embedded economy, and active government intervention. In Dubai, there is a tightly linked relationship between the government and private sector, with the royal family having investments in businesses and projects. This allows the government to be informed of the challenges and opportunities in the private sector. Dubai can be seen as a developmental state, and the success of its model is due to the government's intervention and collaboration with the private sector.

The developmental state paradigm is a concept that was first introduced by Johnson Kalmus and is based on the idea of a centralized government with a capable bureaucracy and an economic department that manages the economy. The government is actively interventionist and works closely with the private sector, creating dense ties between them. This embedded autonomy allows the government to understand the needs and opportunities of the private sector while the private sector understands the government's goals.

This paradigm has been applied to the East Asian Miracle countries like South Korea, Thailand, and Singapore, and has been instrumental in their rapid economic growth. Similarly, the case of Dubai can also be seen as an example of a developmental state, with its ambitious goals of modernization and economic growth, active government intervention, and close ties between the ruling family and the private sector.



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### **GOVERNMENT INTERVENTION AND PRIVATE SECTOR COLLABORATION**

In the case of Dubai, the state has played a central role in driving economic development and has not adhered strictly to either the Washington or Santiago Consensus. While the government has encouraged private sector growth and foreign investment, it has also maintained a strong role in decision-making and invested heavily in public infrastructure and services. This approach has been described as a "developmental state" model, emphasising government-led development strategies' importance in driving economic growth.

Regarding fiscal policy, Dr. Martin explains that the government as a developer is a potent strategy and a part of the developmental state paradigm. In Dubai, the competition element has been significant, which helps keep things efficient even though it is publicly owned. For instance, if the government invests in tourism, the private sector will focus on building hotels, restaurants, and other tourism-related businesses. If the government invests in real estate, the private sector will focus on building houses and commercial buildings. However, the private sector has become more diversified and less dependent on the public sector.

The government has encouraged private sector growth through various policies such as free zones, tax incentives, and regulatory reforms. This has led to the emergence of new industries such as finance, technology, and healthcare.



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## DUBAI MODEL AND FUTURE OF MENA

Dr. Martin explains that the Dubai model has not reached other parts of the MENA region due to several reasons. Firstly, the model is a product of very small states with substantial amounts of money to invest, which is not the case for other countries in the region. Secondly, other countries face different challenges such as the need to provide jobs for their own population. Additionally, some countries in the region have more democratic influence in government, which takes out the fastness and flexibility of the model, making it unable to spread at the same speed. However, basic economic things like free zones might be spreading.

Economic development is a multidimensional undertaking to achieve a higher quality of life for all people. Sustainable development has been identified as a basic strategic framework for meeting challenges that threaten human well-being, livelihood, and future generations. The Middle East and North Africa (MENA) region faces several challenges such as climate change, mass loss of species, soil erosion, increasing social and economic divisions and instabilities, depleting fossil fuels and resources, and overburdened governance. Policymakers in the MENA region will need to adopt a new and disruptive way of perceiving ideas and transforming them into practical actuality. To achieve that, it must defy the boundaries of technological possibility and human ingenuity to elevate the standards of living and quality of life for the citizens of the MENA region; Mr Mahmood Sherif discoursed.

Mr. Mahmood also pointed out that suitable development might provide a reference framework for future efforts, not as much for past ones. Sustainable development has been identified as a basic strategic framework for meeting challenges that threaten human well-being, livelihood, and future generations. The SDGs were used as a guiding principle for the MENA region's national development policies and activities, and member states agreed to the Agenda 2030, which provided guidelines and a framework to resolve development. Agenda 2030 defines 17 SDGs and 169 specific targets.

The Dubai model is unique and has been successful in its own way, but it may not be easily replicable in other countries or regions due to various factors such as political systems, population size, and availability of resources; Dr.Martin opined. However, certain aspects of the Dubai model, such as the free zones, can be adapted and implemented in other regions to encourage economic development and investment. It is important to recognize each region's specific circumstances and challenges and develop models that work best for them.

Laying the groundwork for a better future for MENA will take more than big thinking. Policymakers in the MENA region will need to adopt a new and disruptive way of perceiving ideas and transforming them into practical actuality. To achieve that, they must defy the boundaries of technological possibility and human ingenuity to elevate the standards of living and quality of life for the citizens of the MENA regions.



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## FUTURE OF DUBAI MODEL

The old growth model was based on the idea that capital, land, and labor would lead to growth, but it could not explain how growth would work. The new model, called the Extra Genius growth model, focused on a country's ability to develop technology on its own, leading to faster economic growth. The developmental state theory emphasizes the role of the state in development efforts. The Washington consensus and the Santiago consensus are compared, with the former advocating for a minimal state and the latter acknowledging the importance of the state in providing public services, however, latter acknowledging the importance of the state in providing public services. The Gulf countries are more state-centric and less influenced by international winds. Like the Washington and Santiago consensus the Gulf countries have followed a similar pattern, emphasizing the role of the state in development efforts. Dr. Martin and Mr. Mahmood stressed the impact of these models on Dubai's development, with the Gulf countries being more state-centric and less influenced by international winds.

Foreign acquisitions have been a significant part of the Dubai model which have been made for two primary reasons: **to enhance the performance of their own businesses and to invest money that they don't have a use for at the moment.** The acquisition of P&O by DP World was a prime example of the former, as it provided Dubai with a worldwide network of ports that complemented their larger strategy of making Jebel Ali a hub port. This acquisition helped to expand Dubai's income-generating activities.

In terms of the latter reason for foreign acquisitions, Gulf countries are capital-rich and investing money outside of the UAE can be a way to earn a return on that capital. Dubai has invested in well-established firms in the West, such as Mercedes-Benz, Daimler-Benz, and Ferrari, in order to secure a return on their investment. In some cases, it may be more profitable to invest in foreign firms rather than building factories in their own country, especially if importing workers is necessary. Overall, foreign acquisitions have played an important role in the development of the Dubai model.

Dubai does face some vulnerabilities, Dr.Martin opined; including climate change, competition for talent, and economic disruptions. However, Dubai has been able to tackle challenges in the past and has a track record of adapting and innovating. Additionally, the investments made in infrastructure and education over the past 30 years provide a strong foundation for future growth and development. It will be interesting to see how Dubai continues to evolve and adapt to changing circumstances in the coming years.

The speakers were discussing the sustainability of a certain model in Dubai, specifically in terms of its economic and developmental aspects. They have also mentioned some potential risks and vulnerabilities, such as climate change, job market competition, and global economic crises. However, they believe that Dubai has been able to tackle challenges in the past and has a good chance of sustaining the model, although it may evolve and adapt over time. The speakers seem optimistic about the model's potential to spur development in the region and elevate its status.



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## CONCLUSION

The development of Dubai was based on several key elements, including fast decision making, a flexible labor force, supply-generated demand, market positioning via branding, and development in cooperation with international partners. One unique aspect of Dubai's development is the creation of investment possibilities, such as freehold property, which allowed non-Arabs to invest in the country. Another unique aspect is the use of a flexible labor force that can be adapted to specific needs and skill sets. These elements have allowed Dubai to rapidly develop and attract investment from all over the world. In short, the interview provides insights into the unique characteristics of the Dubai model that have contributed to its success. Dr. Martin emphasizes the importance of government intervention and cooperation with the private sector in achieving economic growth and development. Finally, the speakers highlight the importance of government intervention and collaboration with the private sector for economic development.



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## About Us

Established in Dubai, UAE, in 2021, the Center for the Study of Global Economic Future (CSGEF) is a multidisciplinary policy research organization scrutinizing the economic, geoeconomics, socio-economic, and systemic forces that bear upon the future of the economic system worldwide. The aim is to offer an extraordinary methodical perspective on the socio-economic and systemic forces that sustain the global economy's future.

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