

**DUBAI:  
ITS TROUBLES CANNOT BE BURIED IN SAND DUNES**

It has been stated, rather frequently of late, that the financial problems of Dubai are not life-threatening and that, with one telephone call, they could be resolved.

Dubai is seeking to restructure some of its debts, known to be at least \$US59 billion.

A meeting of some of Dubai's major creditors is scheduled for next week.

**TARGET (CHINESE)** challenges the assertion that the debt problems of Dubai are not material.

The following is this medium's reasoning.

**The United Arab Emirates**

The United Arab Emirates (UAE), of which Dubai is but a fly speck, enjoyed a **Gross Domestic Product (GDP)** in 2008 of about \$US262.20 billion, equivalent to about \$US44,600 per capita.

**GDP = The total value of all goods and services,  
produced within a country in a year,  
minus net income from investments in other countries.**

The composition of the GDP was, approximately:

Agriculture	1.50 percent
Industry	62.70 percent
Services	35.70 percent

Of UAE's labour force of about 3.27 million workers, about 2.78 million workers, or about 85 percent, are expatriates.

A breakdown of the labour force is as follows:

Agriculture	7 percent
Industry	15 percent
Services	78 percent

Agricultural products comprise, in the main: Dates; vegetables; watermelons; poultry; dairy products; and, fish.

The industries of the UAE comprise, in the main: Petroleum and petrochemicals; fishing; aluminium; cement; fertilisers; commercial ship repair; construction materials; boat building; handicrafts; and, textiles.

Exports of commodities comprise crude oil (45 percent), natural gas, dried fish and dates, and re-exports.

The total monetary value of the UAE's exports was about \$US239.20 billion in 2008.

The total production of crude oil is, today, about 3.05 million barrels per day.

Proven oil reserves stand at about 98 billion barrels.

The UAE exports about 2.70 million barrels of crude oil per day and imports about 193,000 barrels per day.

The UAE consumes about 463,000 barrels of crude oil per day.

The population of UAE is about 4.80 million people.

The administrative divisions of the UAE comprise 7 emirates, of which Dubai is but one.

The Capital City of the UAE is Abu Dhabi.

In 2008, the UAE, with its open economy and high capita income, enjoyed a sizeable annual trade surplus, and successful efforts at economic diversification have managed to reduce its heavy dependent on crude oil and gas exports, which, up until January 1, 2008, measured, as an integral part of GDP, was about 25 percent.

The inflation rate in the UAE is about 15.80 percent, according to official UAE estimates.

Nearly 20 percent of the total population lives below the poverty line.

The UAE's total reserves of foreign exchange and gold was about \$US31.69 billion, as at December 31, 2008.

That figure compared with about \$US77.24 billion, as at December 31, 2007.

The external debt of the UAE, as at December 31, 2008, stood at about \$US134.70 billion.

That figure compared with about \$US61.68 billion, as at December 31, 2007.

Turning to the geography of the UAE, it has a total area of about 83,600 square kilometres, all of which is land.

The UAE has no natural water.

The terrain is flat and barren, rolling sand dunes and vast desert wastelands.

Only about 0.77 percent of the entire land is arable, with permanent crops, accounting for about 2.27 percent of the land area.

## **Dubai**

Dubai is endowed with a depreciating asset: Its oil reserves are running out.

Its GDP is known to be less than \$US37 billion.

The economy of Dubai was built on crude-oil and natural gas exports.

Today, Dubai produces about 240,000 barrels of crude oil per day.

The total population of Dubai is about 1.42 million people, of which number, about one million are males and about 350,000 are females.

The emirate covers an area of land, measuring about 1,287.40 square kilometres.

The Government of Dubai is a constitutional monarchy and it has been ruled since 1833 by the Al Maktoum Family.

Dubai's current ruler is Mohammed bin Rashid Al Maktoum. He is, also, the Prime Minister and Vice President of the UAE.

The principal revenues of Dubai come from tourism, property and financial services.

Today, revenues from crude-oil exports and natural gas exports account for less than 6 percent of the emirate's \$US80- billion economy.

Property and construction has been driving the economy up to 2005 and the emirate has transformed itself into a financial hub for banks and finance houses with the intention to rival the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), New York, London, and other European financial capitals.

However, on the downside, it is known that more than 50 percent of the construction projects in the UAE, valued at about \$US582 billion, are on hold.

Expatriate staff is leaving Dubai in droves because, without work, they cannot provide the wherewithal to meet financial commitment in the emirate.

And that is a criminal offence in Dubai.

Earlier this year, Abu Dhabi, the Capital City of the UAE, paid \$US10 billion to restart some property projects, but, still many workers are unable to find employment.

At the Dubai Airport parking lot, not less than 3,000 motor vehicles have been abandoned, those vehicles, having been left there in the mad dash by expatriates to leave the emirate rather than face the music.

Since early this year, the economy of Dubai has been declared to be in free-fall and debt-ridden expatriates, who thought that they were onto a good thing, woke up to the fact that they were living in the middle of a financial nightmare.

It is confirmed that tens of thousands of foreigners have left Dubai, causing property prices to sink, rapidly.

Construction companies have been forced to halt housing projects because (a) there is a dire shortage of money in the emirate and (b) even if the projects could be completed, who would be left to buy the completed units?

The Government of Dubai is accountable to nobody.

Therefore, nobody but a few people, high up in the Government of this emirate, knows the true situation.

The very idea that restructuring \$US29-billion worth of debt, owed by a corporate entity of the Government of Dubai, one that is not guaranteed by that Government, by the way, is quite likely to mean next to nothing when the financial sandstorm abates.

The Dubai Government gambled everything on transforming its economy from one, dependent on crude-oil and natural-gas exports, to one similar to the vibrant economy of the HKSAR.

It must be patently obvious that the debts of the Government of Dubai, or any and all of its corporate entities, are not just \$US59 billion, but far more, perhaps as much as \$US100 billion-plus.

From where is Dubai going to get such a sizeable chunk of change?

Even meeting the annual debt service of \$US29 billion might well turn out to be a Herculean task.

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