

Reflection from an Arabian Night's Encounter in Dubai (on the future of the Gulf States)

On one evening during my stay in UAE, I was visiting a friend of mine from Pakistan who works there. This is my usual weekend outing while in the country. He had invited two other old friends to his home that day, and it turned out that all three of them had been fellow students of the same university back in Pakistan, and that after graduation all of them had got a job at a Pakistani subsidiary company of Honda Giken Co. Two of them, who had majored in economics at university, left the company soon afterwards and went into banking, while Mr Rashid, the engineer, had stayed with the same company. This time he was in Dubai on a business trip concerning the company's plan to build a new car factory there. His view of the plan seemed somehow instructive to me in relation to the future direction of technical assistance in the Gulf Region, so I would like to discuss it here.

UAE produces plenty of aluminium utilizing its rich oil resources. The aluminium is in turn used to produce cars in Dubai which are then sold in Pakistan and its neighbouring countries. Most of the factory workers employed by the industry are Pakistanis. UAE does not have to make a huge investment to support this car production business while at the same time the country can easily supply the aluminium for car manufacturing. Furthermore Dubai can act not only as a production site but also as a point for export, an activity that the city specializes in. Therefore, hosting such a car manufacturing industry should not be a bad deal for Dubai (UAE). It is also good for Pakistan, since Pakistan gains in terms of capital earned by Pakistani workers employed by the Pakistani corporation. It may also be advantageous for the Pakistani Honda subsidiary to site its factories in Dubai. Dubai is a safe and has easy, extensive access to the marketing routes in this part of the world. Honda in Japan, which presumably supplies car parts for assembly here, also benefits.

The oil-rich state of UAE can provide energy and raw materials cheaply, and its socioeconomic conditions are stable. Its infrastructure is attractive for business and industry activities, plus it is easy to secure the necessary labour. In addition, UAE hosts extensive marketing networks with India and Pakistan where human populations are very large (as is the marketing potential), as well as with Central Asia, Arab states and Africa. Therefore, the country has all the ideal conditions for certain kinds of companies / industries to site their branches here. For UAE, where the shortage of future employment for its own nationals is being felt as a problem, projects by foreign companies seem to be welcome events for creating more employment opportunities in the country.

In past years the major purpose for companies to set up their production bases abroad has been cheap labour in developing countries. Such influxes of foreign companies have served as part of the driving force behind economic development in East and Southeast Asia. However, this type of economic development has led to many problems such as the increasing economic gap between urban and rural areas and environmental destruction. Indeed it eventually led to the recent economic crisis in Asia. If UAE became a host of major production sites for foreign companies, the developing countries which would supply their cheap labour would be linked to the world market through the strong currencies (petrodollars) of the Gulf states which might bring more economic stability. The possible environmental impact should still be considered, but a number of potential sites for building factories can be found in UAE.

I have stated only the positive aspects so far, but there are problems, too - first of all, the working conditions for labourers. Working conditions in the Gulf region seem to vary among different companies today, and the legally established standards of working conditions, which do exist, are not well observed. It is necessary to have a proper working environment to become a major world industrial site, as the workers must be the beneficiaries of such development. Another problem concerns water. As most of the Gulf region is covered by extremely dry deserts, securing sufficient industrial water supply would be a challenge.

With such problems solved, I would like to suggest further development of the Gulf region, not only as an energy supply base but also a major world industrial region.



View of Abu Dhabi, UAE: A number of foreign oil, construction and trading companies etc. are rushing in.