

Abhay Bawa, Indranil Puzari and Aljo Johnson, MBA students from the SP Jain Institute of Management, talk about the current state of the Dubai economy.

#### How has the Dubai economy changed of late?

**Aljo:** Until now, the Dubai economy has been a labor-intensive, human capitalist economy. Now they're trying to make it an economy that can sustain itself on the global stage, and you can see them taking so many steps, with setting up the Academic City, Outsource Zone and Silicon Oasis, so it's all planned. The Academic City will provide the Emirate with the manpower that is needed by the Outsource Zone and Silicon Oasis and will follow a perfect model where you're making cities that are self-sustaining. Dubai cannot work as a city on its native manpower and you need people to come in from all over the world, and as and when people come, they bring with them different ways of doing business, which will transform the social fabric of the place.

**Abhay:** I feel that when you look at Dubai, you see that it's transforming, where earlier it was all about oil and it was just a part of an oil-producing nation. Now that's all changing, and Dubai is trying to become the Singapore of the Middle East. Earlier it was all about labour drain but now the knowledge workers are coming, and it's more like knowledge drain or brain drain, as they start recruiting people. Dubai wants to see itself as a more financial and tourist destination, as a hub, even in the IT industry, and it is becoming the namesake, and if you want to open a head office, come to Dubai.

**Indranil:** I think Dubai is the stepping-stone right now. Dubai has grown over the last few years. This is a point of time when Dubai needs a strong infrastructure to sustain the growth. The city needs to work on the facilities provided to people, the traffic needs to be moved out of the roads and into the metro system, and even the RTA is thinking about that and trying to create an infrastructure that helps sustain the growth. I believe the ruler of Dubai is known for his business acumen, and he's trying to open these free zones that are fantastic ideas. What else could a businessman want when he's free of all import duties? So Dubai is the 'it' place for doing business these days.

**Aljo:** That's the best thing about Dubai. Although it doesn't have what you might call a natural environment for a business. It has the cash reserves needed to create an environment that is conducive to business.

**Indranil:** Moreover, Dubai is not putting all its eggs in

one basket. There are plenty of avenues for business – including healthcare, media, education – that if one sector of the economy faces a slump, the others can sustain the economy.

#### What might cause the infrastructure to break down?

**Indranil:** The problem being faced now is that the offices that are being set up are predominantly sales and with the currency being pegged against the dollar, it's not doing them any favour and they will have to tackle these problems. The country should realise that the inflation that they import could lead to its downfall. If they really want this region to grow, then they have to have a basket of currencies, they should be wary of inflation risks because the cost of living is already very high.

**Abhay:** Dubai had sufficient time before they even start thinking 'is my bubble about to burst?' The real estate sector is the only bubble that might burst any time. With the potential of the other sectors in Dubai, and its central location in the GCC, I think the boom is yet to begin, the bubble is coming up and there are still zones in the UAE that still need to mature. Dubai is just coming up, it's building up, we're still investing in it. It will be a while before sectors apart from real estate need to worry about a breakdown.

#### How can Dubai sustain itself in terms of human capital?

**Aljo:** This is definitely a problem that the country as a whole is facing. The middle class is facing a problem because companies are not sharing the profits to an extent, so to do business here and sustain the business, companies need to raise the salaries to keep up with inflation. With the kind of malls coming up, and Dubai portraying itself as shopping capital, you can't rely only on the purchasing power of outsiders to sustain it, you need to empower the middle class which is the major portion of population. If the place needs to pay that kind of money to allow people to sustain then they should pay.

**Indranil:** When you talk of the middle class being affected, ask yourself why. It's because of high prices. Why high prices? Because of inflation that is being imported. So instead of looking at it from the microeconomic perspective, we should look at it from a macroeconomic perspective. The inflation is because of certain policies the government

