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Dubai keeps superlatives coming

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DUBAI, United Arab Emirates: The world's tallest building. The world's biggest shopping mall. One of the world's fastest-growing airlines. Dubai's ruling family loves superlatives, and the unrest in other Middle Eastern countries has barely slowed down the rate at which they acquire them.

"Each time we say it will stop," says Christian Karaoglanian, chief development officer for Accor Hotels, as the supply of rooms increases and regional turmoil threatens to decrease the number of visitors, "but every year they are improving." While development in this desert emirate has the surreal air of centrally-planned free-market capitalism, its explosive growth is putting Dubai firmly on the map for both business and leisure travel.

One of the seven emirates that make up the United Arab Emirates, Dubai already attracts more international travelers than any city in the region. The airport handled 18 million passengers last year, and a \$4 billion expansion is under way to increase capacity to 60 million passengers a year. At that volume, which the government expects to reach in about a decade, the airport would be almost as busy as London's Heathrow is today.

The government-owned Emirates Airlines is leading the way in aviation growth. This year alone it has already added five destinations, including a direct flight to New York, the first direct connection from Dubai to the United States. Hotels and business services are also extending their range. While the focus so far has been on high-end hotels, many companies are now building lower-priced properties.

Accor Hotels has five new projects in the works, including two mid-range Mercures and a budget-range Ibis. The InterContinental Hotels Group is building 20 budget hotels across the region in the next few years, under the Holiday Inn Express brand. Still, most of Dubai's rooms in the five-star category, and many of the airlines and restaurants, focus on quality and service.

Emirates Airlines, for example, is still putting its efforts into improving service, not cutting prices. It recently opened a separate terminal for all passengers flying business or first class, and offers those passengers free limousine service to and from the airport. "It's not a bottom-dollar destination," David Snelling, an Emirates spokesman, said of Dubai. "We don't try to be the cheapest."

Even as many regions of the world are struggling to avoid recession, remarkable growth statistics are standard fare here. IIR Holdings, the largest business-conference company in the Middle East, and one of the largest convention organizers, reports 20 percent annual growth for the last few years.

To make those international business ties more permanent, Dubai has established a growing number of free trade zones, which feature low tariffs, taxes and regulations. A free-trade zone called Media City has attracted CNN and Reuters, and Microsoft and IBM opened regional headquarters in nearby Internet City. The development of the International Finance Center, another free-trade zone, intends to establish the region's premier financial district.

The growth of Dubai from a desert backwater to global hub began with the accession of Mohammed bin Rashid al Maktoum, following the death of his father, Sheik Rashid, in 1990.

"It was the seminal moment for just about everything," says Peter Cooper, editor of AME Info, a business news Web site devoted to the region. From the start, the younger sheik was determined to create a business-friendly atmosphere that would help broaden the emirate's economy.

By 2010, the government wants Dubai to be the business and leisure capital of the entire Middle East. Last year, four million visitors came to Dubai. The government wants to increase that to 15 million by 2010.

Much of that traffic comes from so-called stopover packages. These offers have been a key part of the expansion strategy for Emirates Airlines and all of Dubai. Business and first-class passengers are offered several free hotel nights if they add a Dubai layover to their itinerary. Visitor numbers are increasing even while the security situation worsens in nearby countries. The U.S. government reiterated its call for all Americans to leave neighboring Saudi Arabia this month after the terrorist killings in Khobar. The U.S. invasion of Iraq caused a sharp decline in visitor traffic to Dubai, but the recession proved to be short-lived.

"Dubai rallies faster," says Jessica Sutherland, Middle East general manager for IIR Holdings, the business conference and convention company. "We have a very proactive government that takes almost immediate action to deal with negative incidents."

Dubai has not only maintained stability in an increasingly tense region, but also has turned the unrest elsewhere to its advantage: it is seen as a safe haven for Middle Eastern cash and the place for Middle Easterners to relax.

Other cities in the region are eager to copy Dubai's success. Qatar, Bahrain, even Oman are building larger airports, increasing hotel development and developing tourist programs.

It remains difficult to determine how fundamentally stable the growth of the emirate is, since the two largest property developers, which dominate the market, are either owned by the government or controlled by it.

For now, the ruling family keeps adding to the list of outsized attractions. A \$5 billion amusement and tourism park called Dubailand will be about seven times the size of Disneyland outside Paris and house the world's largest indoor ski slope.

Construction has already started on two enormous palm-shaped islands that jut out into the Gulf. They will turn out to be the world's largest land-reclamation projects and will feature hundreds of hotels and thousands of apartments.

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