

THE WALL STREET JOURNAL.

SATURDAY, MARCH 17, 2007

© 2007 Dow Jones & Company, Inc. All Rights Reserved.

City of Dreams

By Zachary Karabell

In a surprise announcement on Monday, Halliburton revealed plans to move its corporate headquarters from the U.S. to Dubai. And in a less momentous event last week, Madame Tussaud's chain of wax museums, of which Dubai was the majority owner, was sold to the U.S. private-equity group Blackstone.

Dubai hasn't been so much in the American news since Dubai Ports World attempted to purchase a company that operates a number of high-profile ports in the U.S. That led to a bipartisan revolt in Congress and grossly unfair accusations that Washington was allowing a state with links to terrorism to take control of vital areas of our national security. The administration was humiliated. The sale was blocked, and most Americans, it is safe to say, promptly forgot about Dubai.

But the extraordinary expansion of this city-state has not ceased. Last year, a scant few months after the ports sale was scuttled, the government of Dubai purchased the second largest private homebuilder in the U.S., John Laing Homes, for more than \$1 billion, as well as the W Hotel in New York's Union Square and more recently the Mandarin Oriental at the Time Warner Center.

Dubai, which is part of the United Arab Emirates, represents turbo-charged free-market capitalism at its purest—sometimes crass, often over-the-top, and always in motion. Home to more than 1.2 million people, more than 80% of whom are resident aliens, Dubai is as much a multicultural melting pot as New York City was in its late 19th century heyday. And like New York then, Dubai teems with winners and losers, the rich and not-so-rich, and immigrants who often find that life in the glittering metropolis is cold, hard and unfair. But the government maintains order, spends billions on infrastructure and is dedicated to establishing the city-state as a global capital of, well, capital.

With an annual GDP north of \$35 billion, Dubai has a per capita income that rivals the wealthiest spots on earth, and it has hardly tapped out. Current development projects on the books should lead to a quadrupling of population and wealth in the next decade. To do so, the

emirate has plans for multiple artificial islands to be dredged out of the waters of the Persian Gulf (including "The World" and "The Palm"); an amusement park three times the size of Manhattan with life-size replicas of the Eiffel Tower and the Pyramids; the Burj Dubai as the tallest building in the world; and tourism facilities for 15 million visitors a year (by way of comparison, New York draws 40 million).

It is easy to assemble a quirky and fascinating list of Dubai desiderata: take, for instance, Ski Dubai, an indoor 400-meter ski run where snowboarders can dart through the snow in the middle of a 110 degree desert. Nearby, in the huge Emirates Mall, you can shop for La Perla lingerie and then go right next door and get a custom-made burka: underwear and outerwear. The gold market is one of the largest in the world, with last year's sales and imports totaling nearly 500 tons. Dubai's reputation as a free port lives on, as it has become a free-trade stopover for shipments between Asia, India and the West.

But what makes this place more than a just a curious shopping haven is the fact that it provides an alternate model to the current ethnic and religious strife rending the region a few hundred miles to its north. In Dubai, no one cares what you believe or to which God you pray. The only criterion for success and social acceptance is the almighty dollar. It is hyper-capitalism both in attitude and practice, complete with banking laws so noninvasive that they make Switzerland look unattractive.

Christian-Palestinian businessmen do deals with Indian Muslims, who team up to build condos that are then sold to Malaysian millionaires or Kuwaiti sheikhs. Global investment banks facilitate contracts between the royal Maktoum family and the very American Boston Properties (led by Mortimer Zuckerman) to buy and sell prime real estate in Manhattan. And not only does Donald Trump get his name into the action, but the government of Dubai is also a major



holder of Kerzner International, one of the world's premier gambling and resort companies that happens to be majority-controlled by a South African Jewish family.

That said, however, Dubai is very much an Arab city-state. It prides itself on becoming—along with neighboring Abu Dhabi—a Muslim model for tolerance, affluence and global success. That it manages to do so should belie prejudices in the West that the Arab world is incapable of participating in the global system until it unburdens itself of the doctrinal rigidity of some forms of Islam.

Seeing Dubai as an economic model for other parts of the Arab world is admittedly a challenge: Like Singapore, it has the virtues of a small ruling class, a tiny population and not much territory, and that is not something Egypt or Syria could emulate. But as a cultural model, or an attitude, it does offer an alternate vision of the future, one with its own excesses and vices for sure, but still free of the divisiveness and religious conflict that has become the assumed status quo in other parts of the Middle East.

Dubai should not be written off as little more than an Arab Las Vegas. It deeply challenges the assumption that Muslims, Christians and Jews cannot find common ground and work together to construct a shared future. Dubai is proof, not perfect, but real, that they can.

Mr. Karabell is executive vice president of Fred Alger Management and its Spectra Funds and the author of "Peace Be upon You: The Story of Muslim, Christian, and Jewish Coexistence" (Knopf, 2007).