EMERGING GLOBAL CITIES: COMPARISON OF SINGAPORE AND THE CITIES OF THE UNITED ARAB EMIRATES

by Ali Parsa, Ramin Keivani, Loo Lee Sim, Seow Eng Ong, Bassam Younis

Globalization processes and responses to them have important consequences for the growth and development of cities. This, however, is not a uniform process. The outcome at the regional and local level is highly path-dependent on inherited social, economic, and regulatory structures and relationships. This development path is heterogeneous and the path to regionalization and globalization of a city is influenced by multiple factors such as its geographic location, resource availability, and local productions and service advantages, to name only a few.

Singapore is often quoted as an exemplary city to have successfully embedded its development strategy within the global economic circuit while the main United Arab Emirate (UAE) cities, Abu Dhabi, Dubai, and Sharjah are among many urban regions in the developing countries that hope to emulate Singapore as an emerging global city. Although there has been extensive research examining the impact of the globalization process on urban and regional development in various geographical areas including Singapore, there is a distinct lack of studies on the Middle Eastern region, particularly the UAE cities. In view of this, the following study delves into the very path that each of the subject cities has employed and is an attempt to evaluate both the past development and the present and future capacity of their milieu, through an institutional study approach, to accomplish their respective "development visions" and emerge as economic centres of the global supply chain.

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PROCESSES OF GLOBALIZATION AND THEIR IMPACT ON CITIES

There are many different approaches to the study of globalization and global cities, but some important concepts that have emerged from the body of literature are complementarities and competition. As networks develop, they engage in complementary activities; at the same time, they compete with each other to attract investments as illustrated in the studies reviewed in the following sections.

In their efforts to secure international investment, countries and cities today are increasing their operations in conditions of changing comparative advantage. As a result, rather than relying solely on traditional concepts of comparative advantage in terms of lowest production costs or highest investment incentives; cities are forming urban alliances and economic synergies within and across national boundaries in order to utilise different urban/regional functions and factor advantages towards accomplishing common economic objectives.

Network functionality and competitive co-operation creates synergistic effects for a win-win situation. Success is often dependent on the ability to offer institutionalising processes to attract flows of investment and entrepreneurship and to offer a variety of external economies of sufficient scope and scale to business.

One significant aspect that emerges from these studies is the recognition of the increasing importance of the business environment as a determining factor in the competitiveness of a city. Central to this is the role of policy factors and institutional design of a city. As a result, the institutional approach has gained importance in explaining the competitive and comparative advantage of cities.

THE INSTITUTIONAL APPROACH

The institutional approach has gained importance for analyzing the diversity of economic formations in different regions in recent years. Institutions have been defined as "rules of the game" in a society. Organizations, whether political, economic, or social, behave and perform within a framework defined by institutions, which are regarded as both formal and informal rules. Formal rules are laws and regulations while the informal rules are norms, conventions, traditions, and customs.

Thus, the institutional approach does not emphasize the presence of institutions per se but rather the process of institutionalization—the institutionalizing processes that both encourage and support diffused entrepreneurship—a recognized set of conduct, supports, and practices.

The questions to ask therefore—are cities up to the challenge of creating the kind of institutional thickness required? Are existing and inherited institutional structures and interest groups an obstacle to the kind of innovative milieu that is required for embedding entrepreneurship and international capital?

RESEARCH METHOD

The methodology underpinning this research draws upon the institutional school of urban analysis and academic work on world cities and global urban networks. In essence this is an examination of rules, regulations, conventions, and structures that shape processes and resultant interactions vis-à-vis the city's capacity for attracting and embedding international business.

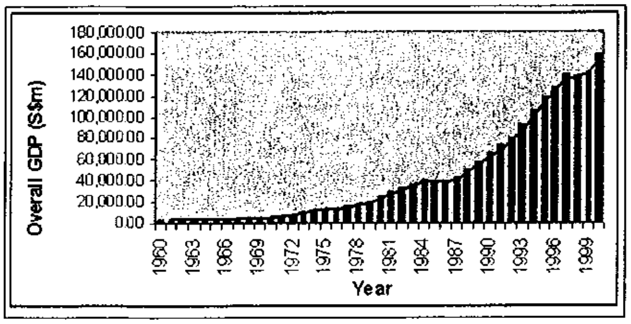
In evaluating institutional capacities in the studies, a series of semi-structured interviews were conducted. These involved senior policy makers from different government departments and agencies, concerned with the formulation and implementation of economic and urban policy. International private sector participants were drawn from economic sectors that have been identified as being central to the economic globalization process in terms of higher value added functions as well as the more traditional sectors of comparative advantage in each case study city. Overall a total of 118 interviews were carried out in the four cities encompassing 15 different private categories.

The questionnaires and the interview programme were designed to enable detailed exploration of perceptions and actual experiences of both public officials and international firms in respect of a range of institutional processes and capacities framing and facilitating the business environment in the studied cases. These include general development vision, the stability of the business environment, security of investment, impact of specific regulations, and the quality of spatial development and infrastructural capacity.

Exhibit 1

Singapore's GDP at Current Market prices: 1960- 2000

Data Source: Singapore Department of Statistics different years



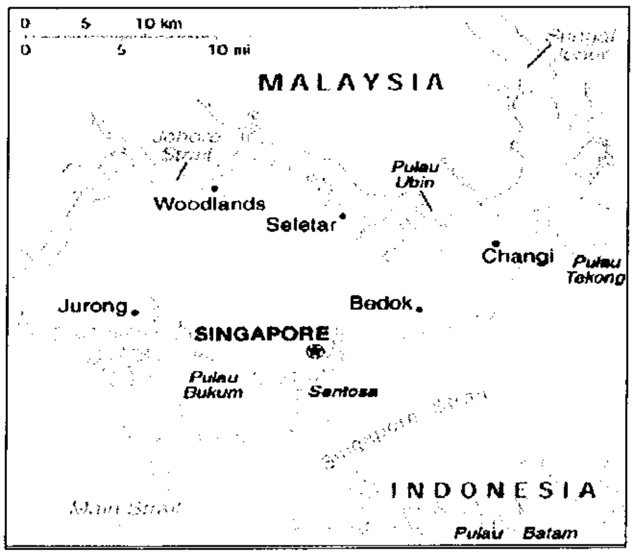
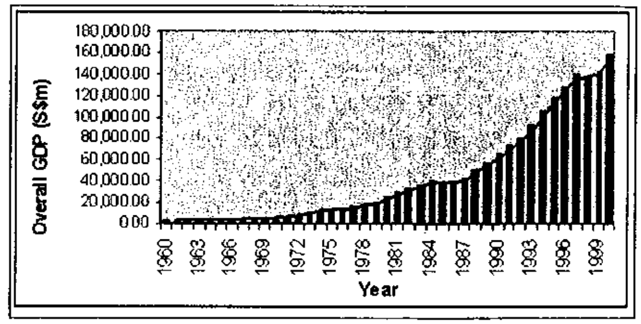
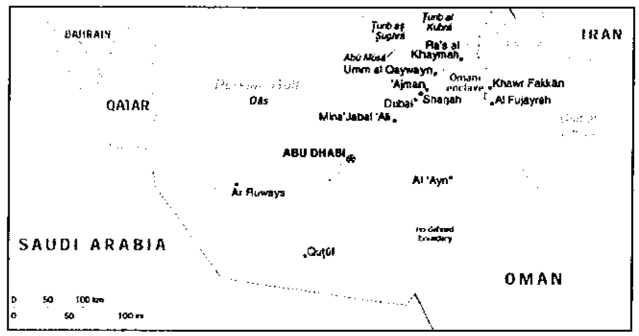


Exhibit 2

UAE GDP at Current Market prices: 1975—2000

UAE Annual Economic Accounts different years





SINGAPORE

The competitive city of Singapore (Exhibit 1), as we know it today, has developed through rapid economic and socio-cultural transformations. This development model is built on the recognition by the public administration for value addition and adaptation of an export-oriented growth model, a strategy employed by most emerging markets in Asia. Singapore transitioned from a manufacturing base in the late 1960s and 1970s, to a knowledge intensive sector in the 1980s. This led to an advancement in the value chain in this sector in the 1990s, to reach the platform of a highly recognized regional city of the 21st century, demonstrating the strong fundamentals of the institutional system. The Economic Development Board (EDB) and the Trade Development Board (TDB) are the key drivers for taking Singapore in the regional and global marketplace and are the statutory bodies that aim at attracting businesses through fiscal incentives, sound business policies and environment.

Moving towards the new century, the institutions have initiated the Singapore 21 plan. This includes Tourism 21, Industry 21, and Construction 21, which are mandates to establish and achieve goals within these sectors.

To date, more than 5,000 international companies operate in Singapore, with about half having regional operations. This growth has been contributed to a significant extent by the 20% foreign workers that reside in Singapore. This large population base of expatriates reiterates the demographic effects of globalization on cities.

UNITED ARAB EMIRATES

United Arab Emirates (Exhibit 2), hereon UAE, a federation of seven emirates—Abu Dhabi, Dubai, Sharjah, Ajman, Ras al Khaimah, Umm al Qawain and Fujairah, was established in 1971. Of these seven emirates, Abu Dhabi and Dubai account for 60% and 25% of UAE's Gross Domestic Product and have been the frontrunners in the economic growth in the decade spanning 1990-2000, when the UAE recorded a growth of over 80%. Today, the country is a major regional centre for trade and shipping, and business and IT services. A report by Emirates Industrial Bank (EIB) issued in May 1999 ranks the UAE as the third most important re-export center in the world (after Hong Kong and Singapore respectively).

With its low custom tariffs, no personal income tax, low corporate tax, and secure business environment, UAE has become a preferred business location in the Middle East market. UAE citizens account for a little over 20% of the population, which further emphasizes the need to study an institutional system that caters to economy and its development.

Abu Dhabi is the largest of the seven emirates and the federal capital. It is the biggest oil producer in the UAE, controlling more than 85% of the UAE's total oil output capacity and over 90% of its crude reserves. Abu Dhabi's primary strategy has been the privatization of the manufacturing sector, a notable example of which is the Taweelah A-1 Independent Water and Power Project. At the same time Abu Dhabi has diversified its economic base particularly aiming at developing oil related petrochemical industries as well as producer services and tourism.

Dubai: The Emirate of Dubai, world renowned for the Burj al-Arab 7-star hotel, is built along the edge of a narrow 10-kilometres long, winding creek which divides the southern section of Bur Dubai, the city's traditional heart, from the northern area of Deira. Dubai's oil reserve has reduced over the past decade and is now expected to be exhausted within 20 years. Given the depleted natural resources, this emirate has diversified its strategy for development with added emphasis on providing a service base for financial services, IT, tourism, sporting events, and transit trade, in its bid to become the financial, business, and high tech centre for the region. In the aftermath of September 11, 2001 and the U.S. government's decision to clampdown on funds and investment from the Middle East, according to the Financial Times about $200 billionn of Arab funds have been withdrawn from the U.S. Much of this will be reinvested in Dubai strengthening the city's position as a global financial and business center in the Middle East North Africa region.

Sharjah: The Emirate of Sharjah extends along approximately 16 kilometres of the UAE's Gulf coastline and is a major industrial base for the UAE. Sharjah is the junior partner to Abu Dhabi and Dubai in terms of contribution to overall GDP. As with the other two main emirates Sharjah has also made a concerted effort to diversify its economy in to trade, retail, tourism as well as its capacities in producer service functions. The government has sought to boost foreign investment and trade in several ways, including the setting up of the Sharjah Airport International Free Zone (SAIF Zone) and the development of the Hamriyah Free Zone (HFZA). Sharjah was recognized by UNESCO as the Cultural Capital of the Arab World in 1998.

The overall institutional set up in the UAE is a two tier system comprising the federal level and individual emirate levels. The rulers of the seven emirates in the UAE comprise the Federal Supreme Council which elects the country's President and Vice President at five-yearly intervals from amongst its members. The different emirates, however, have a large degree of independence in deciding and implementing their social and economic development strategies and policies.

KEY FINDINGS

The most important message emanating from this work is to reconfirm the central role of institutions in economic development and competitive position of cities in the world economy. In Singapore a clear definition and openness of the intended goals for the country along with the initiatives that are made available to both public and private organizations through a focused, harmonised, transparent and accountable institutional structure has allowed the regulations and business markets to align their interests. This unification has resulted in Singapore attaining immense growth and global recognition.

Active feedback with the international business in developing policies has allowed businesses to realign their respective objectives, thereby avoiding shocks and increasing adaptability. This two fold advantage of effective implementation and continuous dialogue on policies is set to be taken further with the establishment of the Singapore Business Federation, whose primary mandate is to cater to the business community in Singapore. Notably, the responses from public and private organizations bore similarities that reflected the transparency and openness in the business culture. This is one of the keys to a successful city, where interests and aspiration of the business community are in line with the institutions and vice versa.

As a result of the strong institutional participation in business facilitation and efficient servicing, there is an air of business security created. This is further substantiated by a strong legal sector. Singapore has been commended by all respondents for its ability to maintain a just legal framework that is pragmatic and highly efficient. The move by an international company to include Singapore laws for any arbitration in their regional assignment is an adequate reflective of the same. In addition to the sound legal environment, the regulations for conducting businesses were also seen as highly adequate. Except for the rising property prices, the availability of local finance and over regulation, all other issues ranging from the policy stability, corruption and business set up were seen to be pro-business. The accountability and openness of the institutional structure, moreover, allows for early identification of problem areas and implementation of strategies for rectifying the situation, be it in terms of enhancing the city's cultural and leisure facilities or liberalization of the banking sector.

The most important issues facing Singapore in terms of its future development strategy is ensuring the supply of high calibre knowledge based workers and managers for the expansion of its corporate services and knowledge based services as well as fostering greater innovation. The former is dependent on maintaining the city's attractiveness to foreign talent as well as expanding training of home grown talent through its well developed education system. The latter on the other hand can be partially explained by the stage at which the country has entered this innovation train. ADB (Asian Development Outlook 2001) outlines that areas such as Singapore and Taipei relied on initial acquisition of technology, through collaborative R&D and joint ventures with multinationals to seed the innovation. It then marketed this innovation through the development of necessary physical infrastructure and telecommunications for firms to practice the same and sustain. Therefore the actual cultivation of R&D ventures is restricted. Another aspect to nurturing innovation may be sought in a cultural change to set the mind free and allow expression of individual initiatives outside the current tendency for "in the box" and secure work culture and practices.

In the case of UAE, Dubai is clearly the most dynamic and institutionally most developed of the three examined cities. Similar to Singapore it has a focused economic vision built around its traditional role as the trade and transport hub of the Middle East which it now wants to expand to regional higher value added functions in corporate and IT services, niche research and development activity and tourism. Abu Dhabi is also following a similar development strategy but with a greater focus on the development of capital intensive petro-chemical industries and services. Sharjah has a substantially smaller economy. Its economic vision is in the first instance based on the more modest objectives of exploiting niche markets for establishing itself as a regional manufacturing base relying on its lower cost factors to attract largely small and medium enterprises. At the same time the city is also aiming at expanding its gas and oil industries, developing a niche cultural tourism industry as well as its higher value added functions for capturing at least a part of the market for regional corporate services and HQ functions. This is parallel to its desire for becoming the higher educational hub of UAE and the greater region while maintaining its strong local cultural and identity.

In terms of their regional ambitions and international investment all three UAE cities have to some degree a privileged position as none of their potential competitors can match the combination of incentives offered by their political and economic stability, high level of infrastructural development, business support facilities and quality of life. Indeed, all three cities and particularly Dubai have succeeded in exploiting this advantage in establishing themselves as the premier regional HQ and corporate service location as well as tourist destination. Based on the Singaporean experience, however, their long term success and further growth as regional centres for higher value added functions is dependent on addressing certain institutional concerns/issues highlighted in this research. These can be divided into common areas of concern emanating from federal regulations and structures and those that are specific to the individual emirates. The former relates to the need for reform of federal regulation in certain areas such as local partnership and agency requirements, labour laws and property ownership as well as enhancing the quality of the legal system. To a certain degree imminent UAE entry into WTO will enforce reform of the more restrictive federal regulations such as the local partnership requirement.

One area of specific emirate concerns that is common to all three UAE cities is the shortage of human resource capacities to enable greater instiutionalization of the decision making and implementation process, business facilitation and efficient servicing. Similar to the case of Singapore, this issue must be tackled through a twin strategy of training local capacity and attracting foreign talent of the highest caliber. In addition innovative schemes could be developed to enhance the efficiency and knowledge base of existing personnel as well as fostering greater inter-institutional coordination and creating a sense of common purpose and understanding. A good example here is the "fire-fly" scheme used in Singapore. To this must be added weaknesses in terms of robust feedback mechanisms with international business for policy development and implementation. Clearly there are differences between the three cities. Dubai is by far institutionally the most developed and focused. Abu Dhabi on the other hand has emerged as institutionally the weakest. Not only in the areas outlined but also in its lack of institutional awareness, unnecessary bureaucracy and the prevalent gift oriented work culture which leads to excessive personalization of government/business interface and therefore creates uncertainty and the scope for increased corruption. The most important area of concern specific to Sharjah stems from a lack of sufficient clarity in its economic objectives and its effective circulation as well as a perceived imbalance between social and economic objectives.

Finally, a major issue of concern relates to the solitary go-it-alone attitude evident in all three cities. The Singaporean example has highlighted the benefits of creating synergies for full utilization of potentials and complementary factors endowments. In the case of UAE the most logical starting point for creating such synergies is between the different emirates themselves. Clearly none of the emirates can afford to be hampered in pursuing its developmental objectives by the conflicting interests and development strategies of the other emirates. Nevertheless, there are major interconnections and complementary functional activities which should be harnessed to greater effect. Nowhere is this more evident than between Dubai and Sharjah which from a regional perspective can be considered as part of the same urban conurbation. This was clearly evident from our interviews with firms in both cities highlighting the complementarities between the two cities as benefiting their regional competitive positions. Moreover the logic and imperative for creation of such synergies has increased, given the stated objectives of Dubai and Sharjah in becoming regional centres for niche research and development and educational activities. The most important element in the success of R&D regions is the creation of a highly innovative and networking milieu. Such innovative networks are in turn more likely to be created in a growing urban agglomeration which utilises all of its innovative potential including existing industries and academic institutions. Here there is a clear case for encouraging greater synergetic development between Dubai and Sharjah particularly in terms of academic and industrial links to harness and direct the innovative potential towards creating a sustainable R&D environment. This of course would have to be a long term objective building up research capacities through an interconnected programme of industrial and academic development in both locations.

As can be seen, there is an increased understanding among nations and cities of the competition that they must endure in order to link their economy to the global value chain. The development strategy is a formal order of just that, where in the city defines its role in this value chain and utilizes its resources and comparative advantages to position itself as the peer for the product. However, this accomplishment can easily fall short with the lack of effective institutional thickness and nimbleness. As the 'rules of the game' these institutions establish a framework for achieving the set vision and create an urban environment that physically and economically helps in sustaining its competitiveness. Singapore has achieved significant success in the last four decades, from a small city to a regional and an Asian city. It now aspires to become a global city for business functions and the above study explores the potentials and shortcomings that it possesses in its stride. As for the three UAE cities, the intra city functions and inter city functions are presented in the study.

Whether Dubai will be successful in emulating Singapore, or whether Dubai and Sharjah will work complementarily, or if Sharjah can formulate a clearer vision, Abu Dhabi a more sophisticated institutional set up, or for that matter Singapore a global city in the future, is an aspect that will have to be seen. But one thing that clearly stands out for all the subject cities is the need to recognize and implement strategies that support, exploit and benefit the socio-economic status of the city and the human capital that builds it. Therefore, for the UAE cities, Singapore may stand as an exemplary example of a city, but for Singapore the need to launch further in the global economy rests on the same principle as required in the UAE cities, the human capital and their capacity to build, foster and add value to the knowledge based economies of the world.