

Dubai's hyper growth economy comes to sudden halt

Debt crisis deemed 'very minor' for the global economy

By HEIDE B. MALHOTRA
Epoch Times Staff

Once the crown jewel of the Gulf, financially troubled Dubai is now struggling to escape a large public debt.

It dreamed for years to become the region's financial and tourism hub, accumulating piles of debt along the way, rumoured to be roughly \$80 billion.

In November 2009, Dubai shocked the world when state owned Dubai World, an investment firm for the Dubai government, announced an urgent need to delay the payment of \$26 billion of its debt for six months. To finance its growth ambitions, Dubai racked up a debt of \$59 billion, more than half of the country's debt.

An issue is the financial finagling that gripped most of the world before the most recent financial crisis and the belief, besides information to the contrary, that money was not an issue and that the Dubai government would come to the rescue during times of trouble, throwing due diligence and caution to the wind.

"Lenders were eager to pour money into Dubai because of what they saw as Dubai World's implicit financial backing by the Dubai and Abu Dhabi governments. While loan documents apparently stated there was no government guarantee, many lenders seemed to think the situation was like that of Fannie Mae and Freddie Mac in the U.S.," suggested professors in one of a series of articles published by Knowledge @ Wharton (KW), the publishing arm of the University of Pennsylvania.

In an initiative to show the world that Dubai's government means business and has a good handle on the situation, Sheikh Maktoum bin Mohammed bin Rashid Al Maktou, vice president and prime minister of the UAE and ruler of Dubai,

الشركة	الإفتتاح	الإغلاق	أجمالي عرض	أفضل عرض	أفضل طلب	أجمالي طلب	آخر صفقه
مركز دبي المالي العالمي	0	1.33	0	0.00	0.00	0	1.33
مركز دبي المالي العالمي	0	1.81	60,000	1.60	1.61	46,739	1.81
مركز دبي المالي العالمي	0	2.63	50,000	2.58	0.00	0	2.63
مركز دبي المالي العالمي	0	0.83	35,500	0.83	0.85	1,350,000	0.83
مركز دبي المالي العالمي	0	0.90	500,000	0.90	0.90	377,777	0.90
مركز دبي المالي العالمي	0	0.92	100,000	0.92	0.94	558,851	0.92
مركز دبي المالي العالمي	0	3.40	0	0.00	0.00	0	3.40
مركز دبي المالي العالمي	0	1.59	78,250	1.57	1.62	25,000	1.59
مركز دبي المالي العالمي	0	3.10	0	0.00	3.00	10,000	3.10
مركز دبي المالي العالمي	0	0.00	0.00	0	0.00	0	0.00
مركز دبي المالي العالمي	0	0.00	0.00	0	0.00	0	0.00

An Emirati man follows the stock market activity at the Dubai Financial Market in the Gulf Emirate, January 20, 2010. KARIM SAHIB/AFP/GETTY IMAGES

relieved the chairmen of Dubai Holding LLC and Dubai World and the head of Emaar Properties PJSC of their chairmanship in the company last year.

THE WORLD REACTS

Worldwide stock markets reacted swiftly, with the Dow Jones Industrial dropping by over 1 percent that day and oil prices took a plunge.

The stock market, including oil prices, recovered quickly, edging up a little, as investors gained confidence that relief from oil-rich Abu Dhabi and others were in sight and that a deal could be worked out.

Distancing the Dubai government from the Dubai World's troubles, Abdulrahman Al Saleh, director general of Dubai's financial arm, stated that Dubai was under no obligation to bail out the firm, as it had not provided a sovereign guarantee for deals undertaken

by this firm, according to a recent article on the Finance Web blog posting.

In response, Moody's and Standard and Poor's lowered Dubai's state-owned companies to junk status, and put Dubai's financing firms on negative watch because of their lending to Dubai World.

Credit analysis firm CMA included Dubai among countries with the world's riskiest sovereign debt, with the likes of Argentina, Venezuela, Greece, Iceland, and others, at the end of last year.

Wharton finance professor Jeremy J. Siegel suggested that this default issue "will turn out to be a very minor affair" for the world economy and financial markets. It doesn't mark any sort of new shoe dropping, or the start of some emerging-market crisis, or the start of some domino situation at all," he says, arguing that the

world is emerging from the last crisis fairly well.

The professors suggest that the world has weathered the U.S. financial crisis, and thus, Dubai is like a drop in the bucket and might just make a few small ripples.

"This is a very different circumstance," said finance professor Richard Marston in the KW report. "Market participants have been through the wringer and have reassessed risk."

COMING TO THE RESCUE

At the end of November 2009, two Abu Dhabi lenders, al Hilal Bank and the National Bank of Abu Dhabi, extended \$5 billion in credit to help the neighbouring state.

In mid-December, oil-rich Abu Dhabi contributed \$5 billion—not the \$10 billion publicized by the media—to bail out Dubai World. Latest media releases suggest that

The professors suggest that the world has weathered the U.S. financial crisis, and thus Dubai is like a drop in the bucket and might just make a few small ripples

the \$5 billion was actually part of a commitment made by Abu Dhabi in the past.

Abu Dhabi's injection prevented the December default of a \$4.1 billion Islamic bond by Nakheel, a subsidiary of Dubai World. Alas, construction has been indefinitely put on hold for many reasons that are not just of financial origin.

The UAE's central bank released a statement that it would provide financial support to local and foreign banks, also in the same month.

Aidan Birkett of Deloitte LLP was hired to spearhead the restructuring effort of the remaining \$22 billion debt. On Jan. 19 Bank of Tokyo-Mitsubishi became part of the six-member restructuring team for Dubai World's debt.

HOLDING THE HEAD HIGH IN A CONTRACTING ECONOMY

Dubai inaugurated Burj Park

Island with big fanfare on Jan. 4, a park on Burj Dubai Lake with a lot of leisure attractions, including the Dubai Mall with 1,200 retail outlets and the 1,717 foot Burj Khalifa, formerly Burj Dubai, the tallest skyscraper in the world at a cost of \$800 million. Dubai expects thousands of tourists that could help pay off the mega project over the coming years that cost roughly \$1.5 billion in total.

Dubai's government is bracing for a budget deficit of \$1.6 billion in 2010, equivalent to 2 percent of the city state's GDP. It is also projecting \$8 billion in revenues, but with expenses of \$9.6 billion, according to a recent report by the Dubai Chamber of Commerce & Industry. Infrastructure projects will continue, albeit at a slower pace.

The deficit is blamed on investing activities in infrastructure developments, including the Burj Park project, metro links, highways, and other real estate projects. Vacancy rates are high, as expatriate workers returned to their home countries after losing their jobs. Commercial and private real estate prices that fell in 2009, are expected to fall another 10 percent in 2010, while remaining flat in 2011, according to the Property Wire Web site.

"Dubai's construction and real estate market was particularly vulnerable to correction in 2009," said a report by the Dubai-based ShuaaCapital Psc, a leading financial firm. "Activity was driven to a large extent by speculative demand for property and financed by debt."

"As a result, the sector suffered a double whammy last year: the sharp drop in demand for accommodation as the economy slowed, jobs were lost and expatriates returned home combined with the credit crunch that made mortgages and building financing nearly impossible to secure."

Subscribe to The Epoch Times today!



Did you know that you can receive The Epoch Times anywhere in British Columbia delivered to your mailbox?

Subscribe today, and don't miss a single edition.

The Epoch Times is an independent newspaper. Your subscriptions will help us to expand our resources and bring you more of the kind of non-sensational, quality news that you have come to expect from us!

Apple announces iPad tablet computer

By SUMAN SRINIVASAN
Epoch Times Staff

Apple Computers finally announced the much-hyped product that has been keenly awaited – its tablet computer, known as the iPad.

Apple's CEO, Steve Jobs, announced the Apple iPad at an elaborately staged event on Jan 27 at the Yerba Buena Center for the Arts in San Francisco.

Jobs announced that Apple wanted to "kick off 2010 by introducing a truly magical and revolutionary product," and then proceeded to name some company milestones: it sold its 250 millionth iPod and had become a \$50-billion-a-year company.

And then came the crowning moment of the presentation: the unveiling of the iPad.

LIVING UP TO THE HYPE

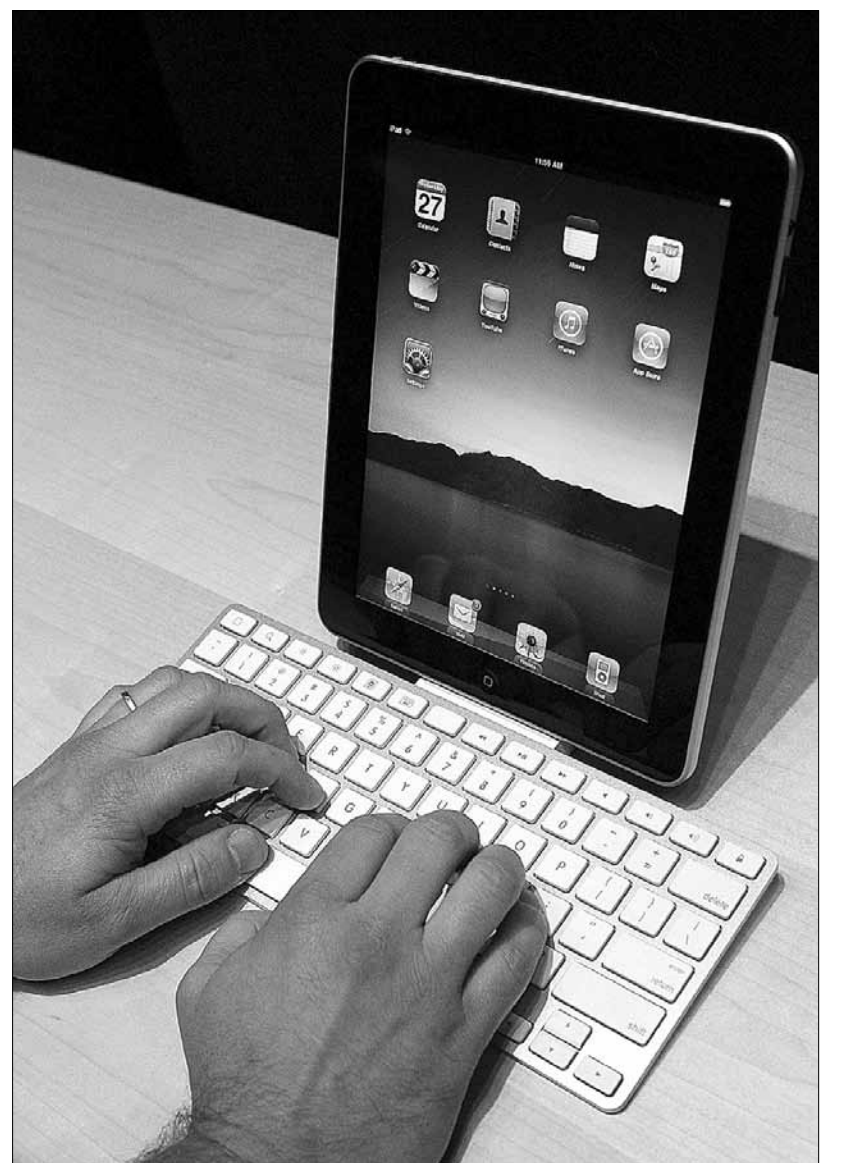
Based on initial reactions, the Apple iPad seems to live up to the unprecedented hype that accompanied it.

From the live demonstration, the iPad appears to be a large iPhone or iPod Touch. In fact, Apple's senior vice president Scott Forstall said that the iPad can run apps for the iPhone "virtually unmodified" though developers could take advantage of the high-resolution and large screen for their application.

On stage, Jobs demonstrated the ability of the iPad to browse websites, watch video and play music. Initial media reports during the launch describe the resolution and user interface of the screen as living up to hype.

The iPad, at half-an-inch thick, weighs 1.5 pounds and has a 9.7 inch IPS display with multi-touch support. The iPad runs on Apple's own 1 GHz A4 chip.

The device is reported to cost \$499, \$599, or \$699 based on the size of storage in the model (16GB, 32GB and 64GB), and will support wireless networking and Bluetooth. Models with 3G support are on their way, and will cost \$130 extra.



A guest uses the new Apple iPad that is docked in a keyboard. JUSTIN SULLIVAN/GETTY IMAGES

In addition to providing a full-blown device that can browse the web, watch video and play music, Apple also appears to be poised to launch the iPad as the ultimate Amazon Kindle killer: by pitching it as a e-reader.

Steve Jobs, during the launch, demonstrated an application called iBooks. He demonstrated the iBooks store, which allows iPad users to purchase and read books on the device.

With the iBooks application, Apple is directly competing with Amazon Kindle in the mobile e-reader market.

At the end of the presentation, Mr. Jobs stated that "the bar is pretty high" to establish "a third category of products"—referring to the tablet PC, as opposed to a laptop or desktop. "It has to be far better at doing some key things. We think we have the goods."

E-READER KILLER APP?

Subscription Rates 2009
Call Now! 604-439-9777

Name _____
Address _____

Phone _____ E-mail _____

Payment Options

- VISA/Mastercard (over the phone)
- Cheque

(Payable to The Epoch Times / \$20 charge for NSF cheques)
Mailing Address: 210 - 5481 Kingsway, Burnaby BC V5H 2G1

13 weeks
\$20.80

26 weeks
\$39.00

52 weeks
\$72.80