The Gulf States' Construction Boom

In the early 21st century, virtually all six Gulf Cooperation Council (GCC) countries—Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates (U.A.E.)—showcased levels of economic development and infrastructure expansion not seen since the 1970s oil boom. Indeed, metaphorically speaking, the Gulf states, especially the U.A.E.'s largest emirates, Abu Dhabi and Dubai, had welcomed the return of an earlier era's most omnipresent bird: the building crane. In 2007 the mixed-use Burj ("Tower") Dubai, the final height of which was expected to exceed 800 m (2,640 ft), was officially designated the world's tallest structure, despite the fact that it was still under construction. Numerous factors and forces drove the boom: the vast public- and private-sector capital accumulation made possible by record-high oil and natural-gas revenues, the extension of what was already a sustained business-friendly environment, and the GCC region's stability and peace.

One result of this vast wealth and political stability was a quantum jump in the number of foreign firms in the region; for example, according to the U.S. Department of Commerce, over 750 American companies (250 more than a decade earlier) had established or expanded preexisting offices, acquired new business licenses, and/or entered into joint commercial ventures with local partners. The Texas-based oil services firm Halliburton triggered widespread criticism when it announced in March 2007 that it was moving its international headquarters to Dubai. Accompanying these trends was an increase in the profusion of world-class banking institutions, together with a great concentration of Arab investment capital and liquidity. On Sept. 26, 2005, trading began on the Dubai International Financial Exchange, the first international stock exchange in the Middle East.

Infrastructure projects were being financed on a scale not hitherto experienced. Many of these endeavours were associated with islands formed by land reclaimed from the sea. Nakheel ("The Palms"), a Dubai property-development company with government ties, was adding thousands of kilometres of waterfront on reclaimed land. Nakheel claimed to have some $30 billion in megaprojects under way in 2007, most notably a trilogy of palm-shaped man-made archipelagoes—Palm Jebel Ali, Palm Jumeirah, and Palm Deira—and the World, which comprised some 300 small man-made islands arranged to look from the air like a map of the world. Saadiyat Island, just off the coast of Abu Dhabi, was at the centre of a reclaiming megaproject that would expand a natural island half the size of Bermuda into a much larger complex of hotels, golf courses and other tourist amenities, three marinas, and private residences, as well as a 270-ha (670-ac) cultural district. Bahrain, Oman, and Qatar had similar islands under construction or in the planning stages.

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The still-unfinished Burj Dubai looms above the skyline as a traditional camel caravan approaches the U.A.E. city.

On the tourism front, the region abounded with five-star hotels associated with the world's leading hoteliers. In addition to the dozens of luxury hotels planned for the new islands, hotels containing more than 7,000 rooms and suites opened in 2007, with plans to double the hotel "bed stock" in Dubai alone to at least 80,000 within a decade. Dubai already boasted the Burj Al Arab, a billion-dollar, 321-m (1,052-ft) sail-shaped "seven-star" hotel, and the $500 million Hydropolis, the region's first underwater hotel. Not to be outdone, Abu Dhabi welcomed guests to its $3 billion Emirates Palace Hotel.

An additional consequence, of special importance to Bahrain, Oman, and Saudi Arabia, was the proliferation of more-diverse employment opportunities. These were generated by the associated local and foreign demands for travel guides, spas and swimming pools, ice-skating rinks, golf courses, and world-class entertainment, as well as expanded facilities for camel and horse racing.

One of the most remarkable projects was Dubailand, a massive complex of entertainment and tourist amenities that included the Mall of Emirates (the largest indoor shopping mall outside North America) and a 2.25-sq-km (about 1-sq-mi), 25-story-high indoor ski resort. Ski Dubai, which opened in late 2005, was a winter wonderland in the desert, with "real" man-made snow, ski slopes of varying difficulty, and a snowboard quarterpipe. The arts were not ignored, especially in Abu Dhabi, which announced that Saadiyat Island would include a performing arts centre by architect Zaha Hadid, a Frank Gehry-designed Guggenheim Museum, and Louvre Abu Dhabi, the Paris icon's first international outpost.

Foreigners eager to benefit from the region's business opportunities had no choice but to establish themselves permanently on the ground. Meanwhile, vast numbers of foreign labourers were employed in the infrastructure projects. As a result, all the Gulf countries were hard pressed to accommodate the demand for increased housing and office space. In response, residential and commercial construction was also booming; Saadiyat Island was expected to house 150,000 full-time residents, while the three "Palms" would include residences for more than 250,000 people.

Despite the frenzied pace of development throughout much of the region, the implications of the boom for the interests and policies of individual Gulf countries and their foreign economic partners remained largely unnoticed by much of the outside world. What was long viewed as a subregion of vital significance to global economic growth mainly because of its energy sources had emerged as a centre of abundant investment capital and almost unimaginably vast construction projects. (JOHN DUKE ANTHONY)