

# End of the Road for Dubai's Rapid Development

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DUBAI United Arab Emirates—It may be home to the world's tallest building, the largest man-made island, and the most exclusive hotel—but Dubai's grand ambitions for the future could be dead in the water, after its largest state-owned developer sent shockwaves through world markets by asking for a standstill on repaying its debt.

The fallout from Dubai World's request to postpone repayment of its US\$59 billion debt, may damage the reputation of the emirate as a hub for business, experts say. So much so that getting overseas bank funding for future projects could be near on impossible.

"This has done huge damage to the financial reputation of Dubai," said Jim Krane, author of "City of Gold, Dubai and the Dream of Capitalism."

"It's a society that aspires to be a business hub for the region and now it is seeing its financial credibility going down the drain. This flies in the face of everything that the leaders of Dubai have worked for."

Dubai has grown from a quaint fishing village in the 1950s, whose main economy relied on pearl diving, to become a sprawling metropolis of gleaming skyscrapers.

In January, the emirate will formally open the 818-meter tall (2,683.73 feet) Burj Dubai, the crowning achievement of more than half a century of rapid development.

However all is not well. Over the course of the last two years, a steady stream of signature projects—including two more Palm islands owned by Dubai World subsidiary Nakheel—have been put on hold,



**UNFINISHED BUSINESS:** Men walk at the construction site of Dubai's Business Bay in the Gulf emirate on Nov. 29. Dubai's shock alert of possible debt default sent Gulf markets, mainly in Dubai and Abu Dhabi, plunging when they resumed trading this week after the holiday weekend, economists predicted. KARIM SAHIB/AFP/GETTY IMAGES

leaving thousands of property investors out of pocket.

On Monday, a ripple of panic went through markets in the world when it became clear that the government would not underwrite the debt of Dubai World, its largest conglomerate.

"It is correct that the government owns Dubai World, but the decision when it was set up was that it should receive financing based on the viability of its projects, not on government guarantees," Abdulrahman Al Saleh, director general of the emirate's Department of Finance, said in an interview with Dubai TV, when asked whether the government was backing the debt.

"The lenders should bear part of the responsibility."

The move may have implications for foreign banks that are exposed to Dubai's debt—including the U.K.'s HSBC, RBS and Standard Chartered.

The announcement comes after the UAE Central Bank said on Sunday that it would provide liquidity for local banks exposed to the debt.

According to Krane, the loans could have been offered to Dubai World on a preferential basis because there was the perception that this was sovereign debt.

Dubai analysts have called the relationship between Dubai and its

state-owned companies a "nebulous" one.

"Everything that is connected with Dubai will decline in value," said Krane. "It will be very hard to repair the damage that has been done."

On Nov. 25, the Dubai government announced that Dubai World would seek a standstill agreement with creditors and an extension of loan maturities until May 30, 2010. The move led to the biggest decline in Asian shares in three months and Europe's worst rout since April.

On Monday, Dubai Financial Market General Index declined 7.3 percent—the biggest one-day decline since October 2008. Abu Dhabi's ADX fell 8.3 percent.



**ACTION:** European Commission president Jose Manuel Barroso listens to questions during a press briefing on the sidelines of the China-EU summit in Nanjing on Nov. 29. Barroso is calling for more input from the international community to ensure climate talks at Copenhagen are a success. PHILIPPE LOPEZ/AFP/GETTY IMAGES

## Barroso Wants More Action From Nations Attending Copenhagen Summit

By **JACK PHILLIPS**  
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Less than a month ahead of the U.N. climate talks in Copenhagen, European Commission President Jose Manuel Barroso said on Sunday that there is not enough action proposed for cutting greenhouse gas emissions.

Contributions from world governments are "not yet where we should be if we want Copenhagen to succeed," Barroso told reporters in Nanjing, China.

World leaders, including President Obama, will be attending the conference in Copenhagen, which runs Dec. 9-17.

"Only a week before the Copenhagen U.N. conference on Climate Change we will stress the need for an ambitious and global result, which includes structures to finance mitigation," Barroso said.

This comes after a statement made on Nov. 25, by the White House to reduce greenhouse gases by 17 percent by 2020. The United States is currently the second largest

emitter of greenhouse gases in the world, after China took top place several years ago.

The European Union (EU) said in October that they want to make sure the temperature does not go two degrees Celsius (around four degrees Fahrenheit) above what it was at pre-industrial levels. The EU says this could be achieved by reducing global emissions, and has pressed for countries to reduce emissions by 50 percent of current levels by 2050.

Barroso was hopeful of the outcome of the climate talks. "There is a lot we can achieve together also in economic recovery and the reform of international financial structures," he said.

"At the end if we just concentrate on the reasons not to do more, we'll not achieve the necessary result," he added.

The EU will differentiate responsibilities for developing and developed nations.

Last July, the G8 Summit failed to produce any legally binding action addressing climate change.

## Australia's Carbon Laws Face Delay, Election Possible

CANBERRA (Reuters)—Australia's key policy to fight global warming limped closer to defeat on Monday with Parliament set to delay or reject the government's carbon emissions trade scheme, raising the chances of an early election.

Defeat or further delays to the carbon-trade laws will be a major embarrassment to Prime Minister Kevin Rudd, who is in the United States to discuss climate policy with President Barack Obama ahead of December 7-18 U.N. climate summit in Copenhagen.

Australia is the developed world's biggest per capita emitter of greenhouse gases, blamed for global warming. The government aims to cut emissions by 5 to 25 percent by 2020 from 2000 levels, with the size of the cut depending on the global position agreed at Copenhagen.

The climate change debate in Australia is being watched by other countries, including the world's second-largest greenhouse gas emitter, the United States, which has had its own difficulties enacting climate-change legislation.

In Sydney, Tibet's exiled Buddhist spiritual leader the Dalai Lama also urged governments to take climate change seriously, and to put global interests ahead of domestic concerns.

"In some cases in order to protect global issues, some sacrifice of national interest (is needed)," he told reporters.

Australia's hostile Senate rejected the carbon-trade plan in August and a second rejection, or postponement to early 2010, would give Rudd the right to call an early election.

Many opposition senators are climate change skeptics and oppose the emissions trading scheme (ETS). Green senators also oppose the ETS, arguing its CO<sub>2</sub> reduction targets are too low.

The Senate on Monday was still debating the carbon bills and may eventually vote to defer the draft laws until February.

"This is just another tactic by those people who don't want action on climate change trying to avoid action," Climate Change Minister Penny Wong told Australia radio



**CLIMATE PROTEST:** People protest over a climate deal struck by Australia's ruling Labor Party and the opposition Liberal party which they say is not enough in Melbourne on Nov. 25. Australia's opposition chief Malcolm Turnbull survived a leadership challenge on Nov. 25 prompted by anger over his move to support government cuts to carbon emissions. WILLIAM WEST/AFP/GETTY IMAGES

on Monday.

The government needs seven opposition votes in the Senate to pass its laws. Wong said senators had already had plenty of time to examine the laws, which have been in the Senate since March.

Rudd has said repeatedly he does not want to call an early election and plans to run his full term to the end of 2010.

But the promised carbon trade scheme was a key promise from Rudd's 2007 election victory, and there is increasing speculation he will only pass his plan in a joint-sitting of both houses of parliament after a special double dissolution election.

Political analyst Nick Economou, from Melbourne's Monash University, said there was now a 50 percent chance of an early election. Bookmakers Centrebet also said the odds of an early election were the same as the odds against.

Rudd's government remains well

ahead of the opposition, and would win an election with an increased majority if the poll figures were carried through to election day.

An early election is unlikely to have implications for other key economic policies and financial markets remain unconcerned about the possibility. However, further delays to the carbon trade laws will increase uncertainty for big business.

### CLIMATE SCEPTICS

Many opposition lawmakers say they do not believe human activity is responsible for global warming, while others want the laws delayed until after the Copenhagen summit and until other major polluters make firm commitments to curb emissions.

The opposition is in open revolt over the ETS, with leader Malcolm Turnbull facing a leadership challenge on Tuesday after he decided his party should support the

package.

Opposition skeptics are now likely to attempt a filibuster and drag the debate on until at least Tuesday, when they hope a new leader will reverse Turnbull's policy.

But Turnbull revived hopes the laws could still pass when he declared he would not stand aside as leader, and claimed support from his mostly likely leadership rival, Joe Hockey.

"This debate has been going on for years and years and years. It is manifestly in the national interest for Australia to take action to cut its CO<sub>2</sub> emissions," he said.

A Nielsen poll in the Sydney Morning Herald newspaper on Monday said 66 percent of those polled supported a carbon-trade scheme for Australia, while only 25 percent were opposed.

The poll also found 57 percent would support Rudd if he chose to call an early election on climate policy.

## U.N. Court Hears Serb Challenge to Kosovo Independence

THE HAGUE (Reuters)—The highest U.N. court starts hearings on Tuesday to scrutinize Serbia's challenge to the legality of Kosovo's 2008 declaration of independence.

Serbian Foreign Minister Vuk Jeremic said the Balkan state hoped the court's ruling would help Belgrade put a halt to the number of countries recognizing Kosovo's declaration and force Pristina to re-enter talks about its future.

Most Western nations have recognized Kosovo's independence, but neither Serbia, its former ruler, nor Russia have done so.

Serbia wants the International Court of Justice (ICJ) in The Hague to give an advisory opinion on the declaration's legality.

"We hope that the final ruling ... is going to say that you cannot declare secession from an internationally recognized state in peacetime," Jeremic told Reuters in an interview.

Kosovo declared formal independence from Serbia nine years after a NATO bombing campaign drove out Serb forces to stop the killing of ethnic Albanians in a 1998-99 counterinsurgency campaign.

Kosovo Deputy Prime Minister Rame Manaj was confident the court would rule in Kosovo's favor.

"We can live together with Serbia only as two independent countries. Serbia deported half of the population out of Kosovo, has killed and massacred more than 12,000 people ... and because of all of these we declared independence," he told Reuters.

"After the court decision we will have more recognitions and

'We can live together with Serbia only as two independent countries.'

—Kosovo Deputy Prime

Minister Rame Manaj

Belgrade will not be able to stop them."

Observers say a ruling in Kosovo's favor would lead more countries to recognize its independence, while an adverse opinion could push it into negotiating a settlement with Serbia.

Kosovo's independence has been recognized by 63 countries, 22 of which are European Union member states, but it will need many more before it can become a full U.N. member state.

Serbian officials say they want to see Kosovo as the country's southern province with wide autonomy, something Pristina rejected in abortive 2006-7 U.N.-sponsored talks.

Nine days of hearings are scheduled before the 15-judge ICJ panel and 30 countries are due to make oral statements, including the United States, Russia and China. Serbia and Kosovo will both make statements on Tuesday.

Advisory opinions are not binding, but carry the authority of the court as the principal U.N. judicial organ. An opinion is expected in a few months.