

Middle East Cities of the Future 2012/13

DUBAI, TEL AVIV AND ABU DHABI HAVE CLAIMED THE TOP THREE SPOTS IN **FDI** MAGAZINE'S MIDDLE EAST CITIES OF THE FUTURE 2012/13. **JACQUELINE WALLS** REPORTS

TOP 25 MIDDLE EAST CITIES OF THE FUTURE OVERALL

RANK	CITY	COUNTRY
1	Dubai	UAE
2	Tel Aviv	Israel
3	Abu Dhabi	UAE
4	Manama	Bahrain
5	Haifa	Israel
6	Ras Al Khaimah	UAE
7	Doha	Qatar
8	Al Gharbia	UAE
9	Sharjah	UAE
10	Ra'anana	Israel
11	Riyadh	Saudi Arabia
12	Ramat-Gan	Israel
13	Amman	Jordan
14	Herzliyya	Israel
15	Jerusalem	Israel
16	Al Ain	UAE
17	Dhahran	Saudi Arabia
18	Beirut	Lebanon
19	Kuwait City	Kuwait
20	Fujairah	UAE
21	Dammam	Saudi Arabia
22	Jeddah	Saudi Arabia
23	Ajman	UAE
24	Al Jubail	Saudi Arabia
25	Al Muharraq	Bahrain



TOP 10 ECONOMIC POTENTIAL

RANK	CITY	COUNTRY
1	Dubai	UAE
2	Tel Aviv	Israel
3	Haifa	Israel
4	Abu Dhabi	UAE
5	Jerusalem	Israel
6	Doha	Qatar
7	Ramat-Gan	Israel
8	Riyadh	Saudi Arabia
9	Amman	Jordan
10	Dhahran	Saudi Arabia

TOP 10 INFRASTRUCTURE

RANK	CITY	COUNTRY
1	Dubai	UAE
2	Abu Dhabi	UAE
3	Sharjah	UAE
4	Doha	Qatar
5	Jeddah	Saudi Arabia
6	Dammam	Saudi Arabia
7	Beirut	Lebanon
8	Manama	Bahrain
9	Kuwait City	Kuwait
10	Mesaieed	Qatar

TOP 10 COST EFFECTIVENESS

RANK	CITY	COUNTRY
1	Ajman	UAE
2	Fujairah	UAE
3	Sanaa	Yemen
4	Al Muharraq	Bahrain
5	Al-Riffa	Bahrain
6	Aden	Yemen
7	Sharjah	UAE
8	Ras Al Khaimah	UAE
9	Al Jubail	Saudi Arabia
10	Al Hidd	Bahrain



Dubai has retained its title as the Middle East City of the Future, as awarded by **fDi** Magazine. It remains by far the top destination in the Middle East for investors and attracted more than four times more FDI projects than its nearest competitor in the region in 2011. The city captured 30% of FDI projects into the Middle East in 2011 and, despite a decline in FDI into the region in the first nine months of 2012, the city has maintained its market share, according to greenfield investment monitor **fDi** Markets.

It is a delicate time for a Middle East ranking, with tensions flaring in parts of the region, including with Israel, whose cities rate highly in this exercise. However, the focus of the **fDi** rankings is strictly business, and while geopolitical issues surely affect investment decisions, the numbers do tell their own story.

Dubai outshines competitors

Dubai's success in this year's rankings can be attributed to its top positions in many of the categories. It ranked top in the Economic Potential category thanks to its strength in attracting FDI, with about 13% of FDI projects investing more than \$100m. Dubai also boasts a significant R&D cluster, along with steady macroeconomic factors.

Cities in the United Arab Emirates dominated the Infrastructure category, with Dubai coming out top once more. The UAE has the lowest lead times on imports and exports in the Middle East region. Dubai remains a key transport hub with its main airport providing flights to more than 180 international destinations, along with its proximity to large ports.

Compared with many of its neighbouring cities, Dubai is one of the most business-friendly destinations. It is home to more than 1300 foreign-owned companies, almost five times more than any other city in the Middle East.

fDi's independent judging panel was impressed by Dubai's submission in the FDI Strategy category, ranking it top overall. A proactive approach in promoting Dubai to foreign investors is evident in its application to the ranking: "A dynamic destination, Dubai has established itself as an attractive option for international

investors, reinforcing its position as a leading world-class business destination and continuing to strive to offer the very best to investors."

Tel Aviv R&D specialists

Tel Aviv in Israel ranked second once again in this year's rankings. The city witnessed its biggest influx of FDI projects in 2011, according to **fDi** Markets, accounting for 46% of projects locating in Israel.

Tel Aviv's strengths lie in the areas of R&D and design, development and testing, with more than 40% of inward FDI into the city investing in these activities in 2011. This reflects a global increase in FDI in these areas of 17% in 2011.

According to the data collected by **fDi** Benchmark, Tel Aviv is second only to Haifa in terms of the number of patents granted by the US Patent and Trademark Office between 2003 and 2011 in the Middle East. This points to the progressive business environment promoted by the city, emphasised in its submission: "[The] Tel Aviv of the future is rooted in the entrepreneurial spirit of its past." Tel Aviv also has the largest cluster of companies specialising in R&D, helping it to secure second in the Economic Potential category.

Tel Aviv was awarded the Best City for Human Resources in the Middle East award. The high number of students currently in tertiary education points to a highly educated workforce in years to come. **fDi**'s judging panel also awarded Tel Aviv second position in the FDI Strategy category.

Rising stars

Abu Dhabi (UAE), Manama (Bahrain), Haifa (Israel) and Ras Al Khaimah (UAE) improved their performance from the previous 2010/11 rankings, all finishing in the overall top 10. New entries in this year's top 10 include Al Gharbia (UAE), Sharjah (UAE) and Ra'anana (Israel). Al Gharbia benefits from its proximity to Abu Dhabi and Dubai, as well as its land and oil resources. Its FDI Strategy submission states: "Al Gharbia is a huge untapped land area just waiting to be discovered." Sharjah's performance was bolstered in the 2012/13 rankings by its total capital investment rising by 53% and the number of FDI projects into the city being four times higher in 2011 than the previous year, according to **fDi** Markets.

Doha was ranked seventh overall in the 2012/13 ranking and held onto its top spot as the Best City in the Middle East for Quality of Life. Doha performed well in various categories, ranking third in Business Friendliness, fourth in Infrastructure and sixth in Economic Potential. Despite a dip in FDI into Doha in 2010, inward FDI in 2011 remained similar to 2008/09 levels, indicating that Doha has remained relatively consistent in FDI attraction despite global economic pressures.

The FDI Strategy category was dominated by cities located in both the UAE (Dubai first, Ras Al Khaimah fifth, Al Gharbia ninth) and in the Kurdistan region of Iraq (Erbil third, Slemani sixth, Duhok seventh). Despite its turbulent past, the Kurdistan region is actively promoting its strengths to foreign investors. Its FDI Strategy submission states: "Kurdistan is undergoing an economic boom because of its stability." **fDi**'s judging panel was also impressed with the FDI Strategy information provided by Tel Aviv, Manama, Beirut and Ra'anana, and positioned these cities in the top 10 for best FDI Strategy as a result. ■

TOP 10 HUMAN RESOURCES

RANK	CITY	COUNTRY
1	Tel Aviv	Israel
2	Haifa	Israel
3	Jerusalem	Israel
4	Ramat-Gan	Israel
5	Dhahran	Saudi Arabia
6	Tehran	Iran
7	Kuwait City	Kuwait
8	Riyadh	Saudi Arabia
9	Jeddah	Saudi Arabia
10	Herzliyya	Israel

TOP 10 QUALITY OF LIFE

RANK	CITY	COUNTRY
1	Doha	Qatar
2	Herzliyya	Israel
3	Ramat-Gan	Israel
4	Tel Aviv	Israel
5	Dubai	UAE
6	Abu Dhabi	UAE
7	Al Gharbia	UAE
8	Al Ain	UAE
9	Petah Tiqwa	Israel
10	Ra'anana	Israel

TOP 10 BUSINESS FRIENDLINESS

RANK	CITY	COUNTRY
1	Dubai	UAE
2	Abu Dhabi	UAE
3	Doha	Qatar
4	Manama	Bahrain
5	Riyadh	Saudi Arabia
6	Sharjah	UAE
7	Tel Aviv	Israel
8	Jeddah	Saudi Arabia
9	Fujairah	UAE
10	Ajman	UAE

TOP 10 FDI STRATEGY

RANK	CITY	COUNTRY
1	Dubai	UAE
2	Tel Aviv	Israel
3	Erbil	Iraq
4	Manama	Bahrain
5	Ras Al Khaimah	UAE
6	Slemani	Iraq
7	Duhok	Iraq
8	Beirut	Lebanon
9	Al Gharbia	UAE
10	Ra'anana	Israel

JUDGING PANEL



ROBERT STARBUCK
Chief executive officer, Migrate, a provider of corporate outsourcing services



PETER PREISLER
Director of international investment services Europe, Middle East and Africa, T Rowe Price International



KYLE STELMA
Director, Dunia Frontier Consultants



LUCIA DORE
Financial journalist, head of GCC and Middle East, mergermarket



JACQUELINE WALLS
Senior investment analyst, fDi Intelligence

METHODOLOGY

To create the shortlist for fDi Middle East Cities of the Future 2012/13, the fDi Intelligence division of the Financial Times collected data using the specialist online FDI tools – fDi Benchmark and fDi Markets, as well as other sources. Data was collected

LIST OF DATA POINTS

ECONOMIC POTENTIAL

- Population growth rate
- Total number of patents
- Gross domestic product per capita
- Total number of FDI projects
- Total number of companies in R&D
- Total number of FDI mega projects
- Total capital expenditure on R&D FDI projects
- Global competitiveness index
- Inflation (projected %, 2013 to 2016)
- GDP growth rate (projected %, 2013 to 2016)

HUMAN RESOURCES

- Unemployment rate
- Number of world top 500 universities
- Number of students
- Gross tertiary enrolment rate (%)
- Gross secondary enrolment rate (%)
- Labour force estimate
- Literacy rate

COST EFFECTIVENESS

- Office rent
- Industrial rent
- Price of unleaded petrol
- Cost of a luxurious hotel in the city-centre location

for 54 cities under six categories: Economic Potential, Human Resources, Cost-Effectiveness, Quality of Life, Infrastructure and Business Friendliness. A seventh category was added: FDI Strategy. In this category, 15 cities submitted details about their current strategy for FDI promotion and this was

scored by fDi's judging panel. Cities scored up to a maximum of 10 points under each individual data point, which were weighted by importance to the FDI decision-making process in order to compile both the category rankings as well as the overall Middle East Cities of the Future ranking.

- Minimum wage equivalent
- Cost of registering property
- Cost of dealing with construction permits
- Profit tax
- Cost to export
- Cost to import
- Cost of establishing a business
- Cost to get an electricity connection for a newly constructed business
- Redundancy costs after five years
- Redundancy costs after 10 years
- Average yearly wage
- Average residential property price

QUALITY OF LIFE

Based on fDi Benchmark quality of life index, which includes:

- Life expectancy
- Infant mortality
- Education
- Transparency
- Income per capita
- Unemployment rate

INFRASTRUCTURE

- Number of international destinations served
- Distance to nearest airport
- Upload speed
- Download speed

- Port ranking
- Time to export
- Time to import
- Logistics performance index
- Availability of latest technologies
- Quality of overall infrastructure
- Quality of electricity supply
- Internet users
- Mobile phone subscriptions

BUSINESS FRIENDLINESS

- Number of jobs created by FDI
- Number of foreign-owned companies
- Top 1000 world banks
- Number of days to start a business
- Difficulty of hiring
- Difficulty of redundancy
- Ease of doing business
- Corruption perception
- Economic freedom
- Innovation
- Number of top 100 Arab banks
- Top 500 Islamic financial institutions
- Business costs of terrorism
- Confidence in financial system
- Corporation tax rate
- Ease of trade
- University-industry collaboration in R&D

Information collected by fDi Benchmark.