

Phoenix seeks international connection with Dubai

by **Susie Steckner** - Aug. 12, 2008 12:00 AM

Phoenix leaders want to go global, and they're banking on Dubai to help secure the city's place on the international stage. America's fifth-largest city wants to partner with one of the world's fastest-growing urban areas to attract investment, research, transportation opportunities and more.

The pairing, Phoenix leaders hope, could bring everything from sprawling new real-estate developments to collaborations on solar power to a direct flight between Phoenix and Dubai, a wealthy desert city-state between Saudi Arabia and Oman on the Persian Gulf.

Phoenix Mayor Phil Gordon is rallying the public and private sectors while finalizing an economic-development agreement between Phoenix and Dubai.

"When you look at economic development, you look at who are your competitors. . . . I guess we could look at people being competitors or we could look at them being partners," says Don Maxwell, the city's director for community and economic development.

"That comes straight from Mayor Gordon. . . . Let's become partners and strengthen each other. Let's see what can be mutually beneficial."

Exploring opportunities

Gordon's newly created Phoenix Global Trade Initiative aims to explore economic-development opportunities around the globe. Dubai is its first target.

As markets such as Dubai emerge, the U.S. and cities like Phoenix must be ready to compete for their attention, says Barry Broome, president and chief executive of the Greater Phoenix Economic Council. "It's really important for us in Greater Phoenix and Arizona that we make this the place to be," he says.

What's more, Maxwell says, building a relationship with the emirate means introductions to its vast network of top companies and countries worldwide. "They're all at the table," he says. "As we develop a partnership, then we'll be brought to the table and have opportunities. We'll at least have the exposure. That's a pretty good global strategy to have."

In many ways, the state has some catching up to do. As Arizona business leaders and lawmakers deal with the fallout from the mortgage crisis, they realize the economy needs to be much more diverse. They know the state must develop international partnerships beyond Canada and Mexico.

Like metropolitan Phoenix, Dubai is a relatively new economy. More established cities such as Tokyo and London have deep relationships with U.S. cities like New York and Los Angeles, making it difficult for Valley leaders to make inroads. For years, leaders have struggled to develop the Valley's business identity on the world's stage beyond a haven for retirees and a tourism mecca.

To combat that image, Phoenix wants to send a delegation of business people to Dubai in mid-September; a similar Dubai delegation would visit Phoenix the following month.

The anticipated economic-development agreement could be complete in November. It seeks direct foreign investment, bilateral trade, research and innovation in areas such as renewable energy and sustainability, and new transportation opportunities.

Building partnerships

More than 200 people in the private sector want to explore business opportunities with Dubai. They run the gamut - engineers, developers, attorneys, finance professionals, health professionals, business owners and more - and represent companies big and small.

Trevor Hill is hoping for a spot in the delegation. Hill is president and chief executive of Phoenix-based Global Water Resources, a water-scarcity management business that recycles wastewater for reuse in places such as parks and golf courses so burgeoning communities can better manage resources.

Water management is an ongoing infrastructure issue across the globe, Hill says, including in Dubai, where fresh water must be made from seawater. With a recycling program, officials there would be able to reduce the amount of fresh water needed.

"The (Global Water) model is exportable internationally. It has application anywhere where water is scarce and growth is the pressure," Hill says.

Hill is primarily looking for business partnerships in Dubai. But his company recently announced that it is going public, and he isn't ruling out foreign investment here for the capital-intensive infrastructure businesses.

Hill calls Gordon's Dubai effort a "bold initiative." "We can enhance growth and stability in our region by aligning ourselves with other high-growth regions and attracting their dollars," Hill says.

Attracting investment

Dubai, one of seven emirates that make up the United Arab Emirates, is one of the world's fastest-growing urban areas. Dubai and emirate Abu Dhabi have set a course for themselves as major commercial, trade and tourism centers. Dubai, which has fewer oil reserves than Abu Dhabi, has diversified its economy with interests that run the gamut from real estate and development to technology and finance.

The emirates' oil reserves, history of economic and political stability and geographic location have made them attractive internationally for investments. They have reached across the globe for partnerships, looking to cities and countries, companies, educational institutions, not-for-profit groups and others, says Paul Kinsinger, professor of global business at the Thunderbird School of Global Management in Glendale and a former analyst with the Central Intelligence Agency focusing on the Middle East.

Dubai business powerhouses such as Dubai World and Emaar also are on a torrid pace to expand internationally, and the United States has been a key focus.

In 2006, Emaar, one of the world's largest real-estate companies, purchased California-based John Laing Homes, one of the largest privately held American home builders, in a \$1 billion, all-cash deal.

Dubai World, a government-owned holding company that has financial stakes in the Mandarin Oriental New York and Las-Vegas based MGM Mirage, purchased well-known retailers Barneys and Loehmann's, and more.

"It's very attractive for cities like Phoenix to look at Dubai for investment," Kinsinger says.

Arizona has a modest portfolio of direct foreign investment and is aggressively pursuing more. International firms, experts say, bring technology-based and innovation-driven jobs that are key to a sustainable economy, high-wage jobs and more trade opportunities. They also stimulate business competition.

More than 200 foreign-owned companies have operations in Arizona. Canada and Japan have the most, with 80 and 46, respectively. The companies have invested about \$10 million in the state, according to the latest available figures from the Arizona Department of Commerce.

Despite that, Arizona ranked 31st in direct foreign investment nationally and is well behind leaders such as California and Texas, with \$94 million and \$85 million, respectively, as of 2005, according to the U.S. Bureau of Economic Analysis.

The current domestic economy is "ripe for international investment," and collaboration is key to bringing in those dollars, Arizona commerce spokesman David Drennon says.

The Arizona Global Network is a statewide venture to bring in direct foreign investment, with partners such as the Commerce Department and GPEC. Since it began operating last year, it has seen eight such projects as a result of its work.

What Phoenix can offer

Gordon has been beating the drum for Dubai in recent months and spearheaded an April breakfast in Phoenix to boost interest among the private sector. He is planning a trip to Dubai in the early fall, which follows an earlier trip there and to the UAE Embassy in Washington, D.C.

In January, a delegation from Dubai visited Phoenix during the Super Bowl, and another delegation came to the Valley in May.

City officials and others say Phoenix brings a lot to the table in attracting Dubai: a shared desert climate, urban-growth planning, strong airport capabilities, regional collaboration, higher education, infrastructure expertise, and interests in sustainability and renewable energy.

Beyond Phoenix, Arizona has large parcels of state trust lands available, which could be attractive for large mixed-use developments, Maxwell says.

Along with these offerings, all agree that Arizona State University is a key player in attracting Dubai, as well as other markets.

ASU, for its part, sees myriad opportunities in the UAE. In May, university President Michael Crow took a whirlwind, two-day trip to Dubai and Abu Dhabi.

ASU wants to form relationships over its work in areas such as sustainability, urban growth and renewable energy, says Bud Rock, ASU's vice president for global engagement.

"All of those programs have an application in the Middle East," he says. "We are testing and validating that which we do locally. . . . That's an important exercise."

Dubai Aerospace Enterprise and officials with Dubai's airport authority have visited ASU a few times, and Rock says there are opportunities to collaborate on growth-related issues. The aviation leaders are particularly interested in ASU's Decision Theater, which uses science-based computer models to give a three-dimensional view of real public-policy issues.

Ahead of the pack

Phoenix isn't the only city scrambling for Dubai's attention.

While Phoenix officials and ASU explore opportunities, some businesses are ahead of the game on both sides of the globe.

Last year, Dubai made a direct investment in the Valley when Dubai Aerospace Enterprise acquired Tempe's Landmark Aviation, which provides aircraft maintenance, repair and other services in the U.S. and around the world. The Dubai company called the acquisition an "important step forward" in business and investment relationships among Dubai, the UAE and the U.S.

In 2006, when Emaar acquired John Laing Homes, it hailed the move as a key gateway into the U.S. housing market. Last year, the home builder opened a division in Phoenix and is focusing on the West Valley.

Likewise, Valley-based companies such as Troon Golf and Cold Stone Creamery have been doing business in Dubai. Troon, a Scottsdale-based golf-management and -development firm, opened a Dubai office in 2004 because of the area's tremendous growth and interest in golf, says Tim Greenwell, the company's senior vice president of sales and marketing. It manages three courses in the UAE and is helping develop a new course with Leisurecorp, a Dubai World company.

Last year, Scottsdale-based Cold Stone Creamery started expanding into the Middle East, with its first store in Dubai. It just opened its fifth store there in April and is on track for six to eight more by the end of the year, says Lee Knowlton, president (international) of Kahala Corp., which owns Cold Stone.

Dubai is a perfect fit for the company, Knowlton says, with its growth, incredible energy and appreciation for Western culture. The warm weather, of course, is also a plus for the ice-cream business.

"A lot of people have perceptions about the Middle East, but when you get there, it's just an international city," he says. Sales have soared in Dubai. Knowlton says a typical store in the U.S. posts annualized sales of just under \$400,000 a year; a store in Dubai brings in double that figure.

Cold Stone has an agreement with UAE's Apparel Group, which represents well-known retail and food brands internationally, to open stores throughout the Middle East. Ultimately, the relationship could yield business opportunities in Arizona, Knowlton says, whether with Cold Stone or other Kahala companies such as Blimpie.

GPEC's Broome says Arizona has a selling point that's not as tangible as others but is no less important. He likes to say that Arizona and Greater Phoenix are "the best place in America to be new."

"Phoenix can become Dubai's gateway to the United States," he says. "We're good at embracing new relationships, good with new ideas."

Republic reporter Chad Graham contributed to this article.