

Submission form to the XVII Conference of SIET, Milano 29 June -1 July

Please, complete and e-mail this form to: siet2015@unibocconi.it

Presenting Author

First name	Family name	Affiliation	e-mail
Mina	Akhavan	DASStU-Politecnico di Milano	Mina.akhavan@polimi.it

Other authors

First name	Family name	Affiliation	e-mail
Ilaria	Mariotti	DASStU-Politecnico di Milano	Ilaria.mariotti@polimi.it

Title of the presentation

The role of Infrastructural investments in attracting FDIs. The case of Dubai

Abstract (400-500 words)

The literature on Foreign Direct Investments (FDIs) indicates that Multinational Enterprises (MNEs) allocate their investments among countries to maximize their risk-adjusted profits (Caves, 1996). The risk-adjusted profit of FDI made by a MNE in a particular country may depend on the factors that are well summarised in the OLI (Ownership, Location and Internalisation) paradigm developed by Dunning (1979). Within the “Location” group of factors, infrastructures play a key role in attracting FDIs, being them either transport infrastructures or Free Trade Zones.

The studies on inward FDIs in fast developing countries have underlined the importance of Free Trade Zones (for the case of China, see Head and Ries, 1996, and Hong and Chin, 2007 in Mariotti, 2015). A Free Trade Zone (hereinafter FTZ) is ‘*an area within which goods may be landed, handled, manufactured or reconfigured, and re-exported without the intervention of the customs authorities*’ (Encyclopedia Britannica). Consequently, UNCTAD (1996, p.3) has a similar definition for FTZ, developed for the purpose of a port, or a Freeport: ‘*usually designated area at a port or airport where goods can be imported, stored or processed and re-exported, free of all Custom Duties. It is a free area which normally falls under the authority of the port or airport management*’. As an economic development tool, FTZs are mainly adopted in the developing countries (Papadopoulos, 1987).

Within this context, the present paper aims to investigate the attractiveness towards inward FDIs of Dubai with its major port, airport and FTZ infrastructures belonging to the so-called “logistics corridor”. Likewise many developing countries, particularly those favoured by strategic location, deep-water port(s), hub-airport(s) and competitive governmental policies, the tale of Dubai’s industrialization is well integrated with the development of FTZs. Following the governmental neoliberal policies for free trade the first of the kind, the Jebel Ali Free Trade Zone, was established in 1985 adjacent to the Jebel Ali Port, which was constructed in 1979 (35km away from the city center), with more than 75% transshipment (2012) is the third-largest transshipment centre in the world. Since then Dubai leaders have promoted the development of several FTZs within the city to diversify the traditional entrepot economy through attracting FDIs, generating employment, stimulating non-oil exports, encouraging the development of ancillary industries and technology.

The data on inward FDIs concern the federal, national and regional levels, and present the number of establishments and employment at the city level and FTZ for the year 2006 (extracted from the National and Federal Statistics Center). Here the focus is on the Jebel Ali Free Trade Zone (JAFTZ) as the most important within the 21 FTZs in the country. JAFTZ started with 19 companies in 1985, and showed a rapid growth soon after the opening with about 300 diverse companies. This number was raised to 2000 establishments at the early 2002, and more than 6000 companies with 140,000 workers by 2010s (Jebel Ali Free Zone, 2013).

This paper is structured into five sections. The introduction is followed by a literature review on the location factors of inward FDIs, and specifically the role played by transport infrastructures and FTZ. Data and methodology are described in section three. Section four focuses on the descriptive statistics. Follow conclusions and policy implications.