

**To:** jeevacation@gmail.com[jeevacation@gmail.com]  
**From:** Farkas, Andrew L.  
**Sent:** Tue 10/20/2009 5:50:48 PM  
**Subject:** Fw: WSJ Article - Dubai / Sultan

Fyi

---

**From:** Cohen, Jeffrey  
**To:** Farkas, Andrew L.; Carleton, George; Garrison, Frank; Levy, Marc; Garner, Charles; Lande, Mark; Aston, Jim  
**Sent:** Tue Oct 20 13:45:40 2009  
**Subject:** WSJ Article - Dubai / Sultan

## Dubai Inc. Needs Change at the Top

• By ANDREW CRITCHLOW

Faced with a continuing financial crisis of savage proportions, Dubai risks retreating into its past rather than facing up to its new reality. The Gulf emirate needs to radically overhaul its state-controlled companies if it is to overcome its \$80 billion mountain of debt. Yet rather than seize the opportunity to introduce international standards of governance and transparency, the people whose poor judgment led Dubai to the brink have kept their jobs. For western lenders with billions of dollars still at stake, that is troubling.

Take Dubai World, the conglomerate that has just been radically restructured after running up almost \$60 billion of liabilities on an ill-judged acquisition spree. Its deals included buying struggling Madison Avenue retailer Barneys for \$800 million, investing in an \$8.8 billion Las Vegas casino development and paying \$100 million for the Queen Elizabeth II liner, which has since spent most of its time languishing in a Dubai dry dock.

Dubai World has now cut its work force by 15% in an effort to save \$800 million over the next three years. Surprisingly, its senior managers remain in place, including Sultan bin Sulayem, the chairman who masterminded the expansion. That has disappointed bankers who fear that, unless senior managers are held more accountable, the mistakes of the past will be repeated.

But holding senior Emirati officials like Mr. Sulayem responsible for their decisions will be tricky. The Sulayem family's ties to Dubai's ruling Maktoums run deep. Mr. Sulayem's father was a key adviser to the family. The same is true of many other of the emirate's business leaders whose reputations have been damaged by the crisis.

Western lenders would rather see experienced and suitably qualified executives running Dubai's companies with proper accountability to an independent board and creditors. Yet Dubai's ruler, Sheik Mohammed bin Rashid Al Maktoum, appears to be heading in the opposite direction, possibly handing more power to his sons after being let down by some of his key lieutenants. This could mean a bigger role in Dubai's corporate affairs for the popular but inexperienced 26-year-old Crown Prince Hamdan.

Long term, this looks unsustainable. The scale of Dubai's financial woes means painful changes can't be resisted for long. If the easy credit of the past decade allowed officials like Mr. Sulayem to build Dubai World into a truly international company, the next 10 years will see banks demanding greater transparency in return for capital.

Write to Andrew Critchlow at [REDACTED]