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Baku's Quest to Become a Major City: Did the Dubai Model Work?

By Anar Valiyev, Baku

Abstract

Baku's post-Soviet development has been marked by massive deindustrialization, gentrification of the city core, and commercialization of the downtown area. The oil boom brought not only relative economic prosperity but also a new vision of urban development. In their quest to make Baku the leading city in the region, urban administrators have chosen Dubai as a model of development. A decade of emulating Dubai's success has shown that despite the fact that Baku employed the right strategies, many factors prevented Azerbaijan's capital to reach the same level of development as Dubai.

Introduction

Since the beginning of the second oil boom in the mid-2000s, Baku's authorities have taken a specific approach to the development of the city. Abundant oil money, favorable political and economic conditions, as well as the population's acceptance of rapid development defined the course of action. Although never acknowledged by Baku's administration, the example of Dubai attracted the attention of decision-makers, and they attempted to follow that city's path. Why did Dubai become the implicit model for Baku? The city on the shore of the Persian Gulf had some similarities with Baku and is considered a success story. First, the success of Dubai may be explained by governmental/state intervention that played a crucial role in the city's development. Baku's development mostly depends on massive governmental investments and governmental actions. Second, the similarities between the cities' systems of governance and developmental approaches are another compelling point of comparison. Finally, Baku's favorable geographical location increased its chances of becoming the "Dubai of the Caspian". In the following article, we will examine the strategies employed by Baku to become a major city and analyze whether these actions brought Baku closer to its desired model.

Build It and They Will Come

In order to make Baku a major city and to attract foreign tourists and capital, the city employed several strategies. One of the most visible strategies, which could be dubbed "*build it and they will come*," envisioned the construction of various facilities including hotels, airports, a seaport and shopping malls. This supply-driven strategy worked perfectly in Dubai's case, and the growing economy of Azerbaijan was believed to be conducive to implementing Dubai's model, with the expectation that it would bring good results in Baku as well. As in Dubai, within a very short period of time, brand new hotels such as the *Marriot*, *Hilton*, *Jumeyrah*, *Kempinsky* and *Four Seasons* sprang up in Baku. Another example of a grand project of the post-Soviet period is

the construction of the Baku Flame Towers, which are gradually becoming a new symbol of the city (for example, they appear frequently on postcards bought by visitors). The towers symbolize the long history of the fire worshippers who considered Azerbaijan to be the birthplace of the prophet Zoroaster. The Baku Flame Towers include a residential tower that can accommodate 130 residential apartments over 33 floors; a hotel tower that consists of 250 rooms and 61 serviced apartments; and an office tower that provides a net 33,114 square meters of office space. Finally, as in Dubai, Baku is attempting to become a transportation hub by constructing a new modern port 60 km south of Baku. Like Port Rashid and Jebel Ali in Dubai, the port would serve to facilitate the transport of goods and passengers from Central Asia to Europe and back. As in Jebel Ali, the government has plans to establish a free trade zone near the port, spurring a trade turnover.

City of Entertainments

Like many cities of the world, including Dubai, Baku has allocated enormous public resources to the construction of large entertainment projects, including stadiums, convention centers and malls. In an attempt to establish Baku as a booming center or a new tourist mecca, the government is trying to market the city for various international events and sports competitions. Holding the Eurovision music contest in 2012 was one of the first events that put Baku in the spotlight. Baku invested hundreds of millions of dollars in the event, most of which went to infrastructure projects. During the short period of 9 months, the government built and launched the Crystal Hall, a new convention hall for holding the music contest. Moreover, the government spent up to \$600 million on additional projects associated with beautification and city re-development, while direct costs for organizing the event totaled only \$34.3 million. Eurovision was the first success that allowed Baku to portray itself as a major city. Thus, according to an independent NGO, the Internet Forum of Azerbaijan, searches for Azerbaijan in Google increased eight-

fold during the month following the 2011 music competition victory, while searches for Baku as a destination doubled. Meanwhile, interest in Azerbaijan grew by over 40 times on TripAdvisor. Finally, Baku's hosting of the Eurovision contest in May of 2012 put queries for Azerbaijan in the group of the ten most popular searches in the month of May.

Baku's appetite for international events grew significantly following the success of Eurovision. Over the next five years, Baku successfully and unsuccessfully bid for many international events and was able to host its first European Olympic Games, Pan-Islamic Games, Formula 1 race, and several international soccer events. Over \$1 billion were spent on these events, including the construction of a \$720 million Olympic Stadium, which was inaugurated in June 2011 by Azerbaijan's President Aliyev together with the president of FIFA, Sepp Blatter, and the president of UEFA, Michel Platini. The construction was finished by May of 2015, with a seating capacity of 65,000 viewers. Meanwhile, numerous other facilities were constructed to host this event, including 13 newly constructed, luxurious buildings for 5000 athletes (BEGOC 2015).

Higher, Bigger and Taller

Beyond the above-mentioned projects, Baku, like Dubai and many other cities, has strived to build several landmarks that will attract the attention of outsiders. The pearl of these efforts is the Heydar Aliyev Center. Occupying 57,519 square meters, the Center, which hosts a conference hall, a library, and a museum, was opened in May of 2012. Designed by the famous architect Zaha Hadid, the center is one of the many buildings constructed in Baku over the last ten years that represents a move away from the Soviet-dominated past and toward a new national identity. The center is part of a larger redevelopment area and is expected to be the hub of the city's intellectual and cultural life.

Beyond that, within a ten-year period, the city was able to implement several landmark projects, including the renovation and beautification of Baku's seaside promenade; the construction of Flag Square, which claims the title of the tallest flag in the world; and the renovation and building of several magnificent new cultural facilities such as the Mugham Center, Carpets Museum and many others.

Last but not least of the endeavors on this list is the Khazar Islands project. Although state officials were not involved in this project, it is worth mentioning as a private enterprise that resembles the experience of Dubai. The project, spearheaded by the local company Avesta, covers an area of 3000 ha. It was supposed to consist of 41 different-sized islands and 19 districts in the Caspian

Sea. The archipelago covers an area of 24 sq/km, 8 km in length and 3 km in width. The total length of the boulevard islands was supposed to be 50 km (Ahmadov 2012). The project was launched in 2012, and the construction of 6–7 residential buildings began. It was expected that, in general, by the time the project is completed in 2022–2023, the city will host 1 million residents. Overall, it was expected that construction of these artificial islands will cost \$100 billion, of which \$30 billion will come from foreign investors and another \$30 billion from apartment sales. According to the project, the price of completely renovated apartments will be approximately \$4000–\$5000 per square meter.

Did it Work?

It is difficult to answer the question of whether the strategy chosen by Baku's city planners has been successful, as it is too early to judge. However, we can look at some shortages and problems facing the city today. One of the biggest problems today is the lack of financial resources. While Dubai had access to enormous private investments coming from the Gulf countries (Pacione 2005), Baku has mostly relied on its own government's resources. With the decline in oil prices, combined with currency devaluation and the increase in its expenses, Baku will find it extremely difficult to invest funds in the city's expansion and extensive development. Meanwhile, the city cannot attract investments from the outside (beyond the oil sector) due to the low-attractiveness of its non-oil sector.

The second problem with these massive construction projects is low return on investments. The logic of the city was "supply goods or service and let it generate its own demand" (Hvidt 2009). Unlike in Dubai, this strategy did not work in Baku. Fewer numbers of foreign investors, low interest in real estate from outside buyers, and the absence of a critical number of tourists have all significantly affected the profitability of local businesses. Thus, the occupancy rate of local hotels has remained low, and the real estate market has been limited to local buyers. Such problems and miscalculations have already led to the collapse of many projects including Khazar Islands, which incurred high debts and losses. Last, the cost of maintaining the sports facilities has placed an additional burden on the public budget.

However, there are some success stories that give hope that the strategy may eventually work. For a few years, Baku actively began attracting tourists, which increased the occupancy rates of the hotels and revived some local businesses. For the last two years, the government of Azerbaijan has eased the visa regime for tourists from the Gulf countries. Thanks to these efforts, the number of tourists has tripled, and Baku has become a major destination for Arab tourists.

Conclusion

For Baku it will be very difficult to maintain the same pace of investments as before. Without private funds, Baku will not be able to become a major city like its model, Dubai. Moreover, a possible population growth in Baku and housing problems accompanying urbanization (which are absent in Dubai's case) will prevent Baku from completing massive reconstruction and rede-

velopment. Therefore, this is a critical time for Baku to attempt to emulate other models of the city. Eastern and Central European cities, with their similar development paths, could be a better model for Baku. Baku's years of development have shown the city and its administration that the Dubai model is unique and cannot be replicated elsewhere without taking into consideration local peculiarities, history and geographical constraints.

About the Author

Dr. Anar Valiyev is an independent scholar based in Baku.

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A Clash of Cultures: How Rural Out-Migrants Adapt to Urban Life in Baku

By Turkhan Sadigov, Baku

Abstract

As in other developing countries, rural-urban migration in Azerbaijan has led to over-crowding of the metropolitan Baku area, affecting the livelihood of a considerable number of communities and residents. This article provides an overview of socio-economic repercussions of rural migration to Baku. More specifically, it focuses on the adaptation of rural mechanisms (such as social networks of mutual assistance, community solidarity, and operation of social safety nets) among rural migrants after they have resettled to the new urban space. While Baku's closed nepotistic economy of favors forces rural migrants to rely on their bonding social capital (immediate kin, relatives, neighbors), the meeting of city and village in Azerbaijan brings out the worst of the two worlds.

Introduction

Right before our eyes, traditional structures, holding villages together, crumble. Global developments wipe out villages throughout the world. From the mid-20th century, rising access to medical services and improving levels of hygiene led to an unprecedented population growth in developing world countries. This in turn

created massive demographic pressure on villages and subsequent rural migration to cities. Simultaneously, an unprecedented rise of communications, transportation, and media made the production of Western commercialized agriculture accessible anywhere in the remote corners of the globe. Due to accelerating trade and the WTO regulations, markets infiltrated every