



## ChinaLat Law BUSINESS AND LEGAL ISSUES AFFECTING CHINA LATIN AMERICA AND THE UNITED STATES

# Carlos Gonzalez commenting on the risks of doing business in Dubai

by Rita Zhao - 08/30/2010

Dubai as a universal hub for finance and tourism, is facing a test because of a clampdown on fraud and overdevelopment, which came with a rapid increase in the amount of investment and people. Its judicial system aspires to emulate the Western nations although it has more in common with its regional neighbors.

With regard to the two-year campaign against financial corruption, the the government never says how many people have been arrested. However, in all, about 40 percent of the 1,200 people in Dubai Central Prison have been convicted of defaulting on bank loans, Human Rights Watch said in a report in January. Even after completing their sentences, the New York-based group said, prisoners are likely to remain in jail until their debt is paid off, unlike in the U.S. or the U.K., where debtors' prisons were abolished in the 19th century.

The government started the anti-corruption drive as the global credit crisis cut Dubai home prices in half from their peak in 2008, the biggest drop in property values in the world. The city-state, the second largest of the seven emirates that make up the U.A.E., has amassed debts of more than \$100 billion related to projects such as the world's tallest tower and artificial palm tree-shaped islands built by developer Nakheel PJSC.

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Some U.A.E. citizens arrested were freed after repaying what the government said they owed. Others remain in prison as their trials inch along.

Due to a very high proportion of foreign population in Dubai, there is a “natural tendency to assume these individuals pose a flight risk,” said [Carlos Gonzalez](#), our partner in Miami Office, which has worked on commercial disputes and fraud cases in the Middle East.

“In the U.S. it is common to see the courts in white-collar cases grant bail,” said Gonzalez, adding that keeping individuals in jail for several years during legal proceedings puts “psychological pressures” on them.

The Dubai legal system is no better or worse than others in the region, said Gonzalez, What is different, he said, is Dubai’s aspirations.

“You can’t wake up and say we’re working to have a world-class financial system overnight and build a legal system to match,” he said. “Dubai, as an aspiring global marketplace, must also endeavor to become recognized as a cutting-edge legal center capable of developing a legal structure that matches its financial ambitions.”

[Here is the link](#)

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