

A Look at the Post-2020 UAE's Economy through Tourism and Investment Havens: Case for Dubai

ABRAHAM O. A

Entrepreneurship Department, Moscow University for Industry and Finance

Abstract -- The United Arab Emirates (UAE) and Dubai in particular have been known as one of the most tourist-friendly and safest places to invest in recent times; traceable to the vision of His Excellency, Sheikh Mohammed Bin Rashid Al Maktoum, the Prime Minister of UAE and Ruler of Dubai. As economic challenges hurl across continents, regions and countries, innovative leaders who possess the eagle eyes to see beyond the “now”, would not just sit on a precarious edge of danger, but proffer economic solutions ahead of the challenges; for stability and sustainability. This research looks at how Dubai, a onetime desert, that has not only turned a world attraction, but strategically positioned to boost and propel the economy of UAE through tourism and investment platforms after 2020. Empirical studies have proved that UAE's population of almost 10 million people has over 200 nationalities resident out of which a good number of them are investors; adding great value to cash flow and economic development. This study is further engineered to look at the share of business the country can garner in the global gamut of tourism, in the near future.

Indexed Terms: Economy, Tourism, Investors, UAE, Dubai, Investment Platforms

I. INTRODUCTION

The United Arab Emirates is the Arabian Peninsula country located mainly along the Arabia Gulf. It houses seven emirates with Abu Dhabi is its capital, home of Grand Mosque, Ferrari world, and Dubai is its ultra-modern city housing BurjKhalifa – world tallest building and Burj Al-Arab, the world's only seven start hotel.

It is a nation of about 9.53 million people according to World Bank estimate.

Dubai, the ultra-modern city with a population of 3.137m (Wikipedia - 2018) is located on the eastern coast of the Arabian Peninsula in the southwest of the Arabian Gulf. It is extremely well known for its hospitality and tourism of rich heritage with it's year

round of sunshine, intriguing deserts, beautiful beaches, multiple artificial islands and luxurious hotels; usually one of its kind in the world in quality architecture and related service, with shopping malls and business opportunities and welcomes millions of visitors year round.

A publication by the gulf news on the 7th February, 2018 contributed by a senior web reporter – Cloefe Macrada stated in relation to data by department of tourism and commerce marketing (Dubai tourism) that it welcomed 15.79m visitors in 2017 an increase of 6.2% from previous year.

The question remains how did a country of almost zero significance in history develop so much in so short a time to become a beacon of tourism to the world – tourism.

According to UNNTO “Tourism comprises of the activities of persons travelling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes”. Hence, in order for tourism to happen there must be displacement, an individual has to travel using any suitable & available means of transport yet not all travel is tourism (Tugberk Blog 2010-03-03. What is tourism?)

When you observe the sprawling desert, city parked with gleaming high-rise towers that Dubai has become today, it is hard to imagine that this monumental wonder to the modern world started out as a tiny fishing village, while the discovery of oil in the 1950s and 1960s was a turning point for Dubai development. A city lead by Sheikh Mohammed bin Rashid Al Maktoum - world record holder of the only politician in the world with tri-appointment Vice president of the UAE, Prime Minister of the UAE and the Ruler of Dubai. He transformed the city from a small cluster settlement near the Dubai Creek to a modern port city and commercial Hub bolstered by oil and began

developing the infrastructure that supports Dubai goals to become a leading trade hub.

From the timeless tranquility of the desert to the lively bustle of the Souq, Dubai offers a kaleidoscope of attractions for visitors. As an example, it embraces a wide variety of scenery in a very small area. In a single day, the tourists can experience everything from rugged mountains and sand dunes to dry sand beaches to distinct luxurious residents. It so develops that visitors across the world cannot ignore the quality of community and life, that it bade and won the right to host the next world exhibition - the expo. The city collaborated the hosting of forthcoming Expo 2020 and the county is financially capable and prepared for it. Despite questions on the ability of the economy to be sustain the country before and after the expo, which cannot be easily answered or scientifically confirmed by any method, there is high hope that Dubai will be stronger and better, leveraging on effective planning and strategies.

According to its website, the overall team recognizes that generating sustainable solution to global problems demands collaboration across culture and regions. An EXPO is a large international exhibition of industrial, scientific, technological and artistic achievement of the parts of the planet. There are activities, pavilion to walk around, presentation to watch and events to attend. The Dubai expo 2020 which is slated for year 2020 will run from October 2020 to April 2021.

Dubai is steadily moving and developing various projects at huge financial expense and investment. The first step was christened, as the city is built around Al Makhtoun International Airport, Dubai South. A new city to be built around the universal theme of happiness, which will symbolize the spirit of individual and will be developed into an ideal place for individuals to empower themselves and contribute towards building a harmonious society. The objective is to develop the city into a flagship urban project and set a benchmark for manifesting the themes of happiness across the country as envisioned in Dubai plan 2021.

There is mixed reaction and interpretation amongst sector of the economy. Some fear that the economy might take a down turn like never before. Such uncertainty births this research, to show various

means, inform of tourism and investment via which Dubai economy can be sustainable post 2020.

II. LITERATURE REVIEW

ADAT, a blog collaborating with Etihad published an exposé that the expo 2020 will impact five major areas. The article reveals that in as much as the benefits of the expo are boundless mismanagement at the lowest level could result to huge consequences for the region and particular the city.

It revealed how the economy took a downturn during the economic meltdown of Q3 in 2008 and how Dubai got the biggest of hit. Affecting tourism by 20% recline and finance sector came into debts and the city's construction work came to a halt that held 80% of the world cranes running. According to the write up, Q1 of 2011 interested a slight rise yet with obeisance of hosting EXPO 2020; the third largest global events came with mixed emotions. ADAT suggests that one of the five impact is the infrastructure the events puts a fast forward on this tab as the leader Sheikh Mohammed bin Rashid Al Maktoum claims that \$8b worth of infrastructure is required to develop a 480-hectare space in the Jabel Ali area of the city.

Another impact will be economy welcoming an estimate 25m visitors bearing in mind that there was a 4% increase in market index of the emirates after it won the hosting right of the expo – such an increase for the first time since 2008. Economic boom will take form of increase in hotel business transportation, communication, catering, facilities and even halted construction work of the recession period will move toward completion, thereby increasing the overall GDP. Dubai GDP will experience 6.4% growth and by 2020. There will be a 10% growth in GDPC (Barclay report).

Job market is another impact. As a result of economic activity boom, MEED report has anticipated estimated 277,000 jobs opening in the making of expo 2020 – 40% belongs in the tourism travel/leisure sector. Mr. Konstartina Sakellaron, who is a partner, and marketing and operations director at international recruitment firm – Stanton Chase say “I believe Expo 2020” will bring significant changes in the market. With increased demand, it is highly possible that salaries will also be affected upwards.”

Dubai is already a safe haven with magnificent location and architectural wonder. With EXPO 2020, Dubai will be splurged with tourists who would need accommodation as 71% of the 25m visitors, who are expected to be at the expo will be non-domestic visitors. Khaled Al Malik Group, CEO of Dubai property group says, “this is an opportunity for real estate developers to make a positive contribution to the future of Dubai.”

According to an article published on Hotel new-me “life after expo 2020: how the industry is planning for the next decade.” The author Patrick Ryan reaffirms Dubai’s approach to achieving objectives of Dubai as a city in sync with objectives of the expo. According to him, the expo is a bridge to future Dubai as the link of the region housing over 200 nationalities. In the article, Kazim CEO of DTOM says “we set our strategy for ourselves which was about focusing on doubling 2012 numbers for international visitors and creating a sustainable tourism model for achieving 20m visitors by 2020 and building on that group forward.” People being proven wrong by Dubai is nothing new – Manirot International Middle East and Africa President, Alex Kyriakidis. The write up questions how anyone who thinks negatively about the impact on Dubai economy after 2020 especially after welcoming huge number of visitors. The plan is to prove to visitors that Dubai is capable in terms of infrastructure.

Lastly, ADAT reviews that impact of the media as they are now on a hip toe to fetch every minor details relating to expo 2020. Almost every website has articles, news, reports and quotes relating to expo 2020, and with the advent of social media, such media involvement will bring new topic of discussion and new spark of enthusiasm.

III. METHODOLOGY

Data Collection

This research will take the form of qualitative approach. Comparing the historical GDP of countries that have hosted the Expo in the past. Data set will include 5 years pre and post expo of the said countries. This will help view, analyze and review the economy before the expo, scrutinize the effect on the year of the expo and review the GDP of the 5 preceding years.

Descriptive analysis will be carried out on data sourced from World Bank trading economics database. The event which takes place every five years wasn’t held in 2005. In its place, a specialized expo was held Japan.

Expo Host countries

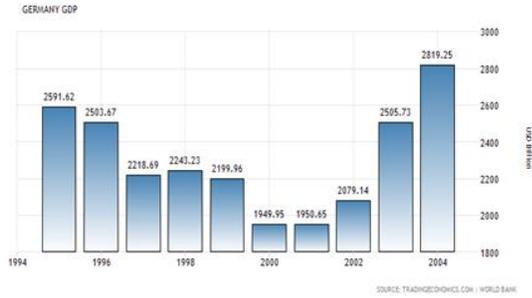
Year	Expo Host Country	Visitors
2015	Italy	21.5m
2010	China	73.08m
No Expo		
2000	Germany	18.10m

GDP

Wikipedia defines GDP, Gross Domestic Product as “The gross domestic product (GDP) is one of the primary indicators used to gauge the health of a country's economy. It represents the total dollar value of all goods and services produced over a specific time period, often referred to as the size of the economy”. Usually, GDP is expressed as a comparison to the previous quarter or year. Measuring GDP can be complicated, but at its most basic, the calculation can be done in one of two ways: either by adding up what everyone earned in a year (income approach) or by adding up what everyone spent (expenditure method). Logically, both measures should arrive at roughly the same total (Wikipedia)

Italy GDP 1960-2018

The Gross Domestic Product (GDP) in Italy was worth 1934.80 billion US dollars in 2017. The GDP value of Italy represents 3.12 percent of the world economy. GDP in Italy averaged 944.34 USD Billion from 1960 until 2017, reaching an all-time high of 2390.73 USD Billion in 2008 and a record low of 40.39 USD Billion in 1960. (Source: <https://tradingeconomics.com>)



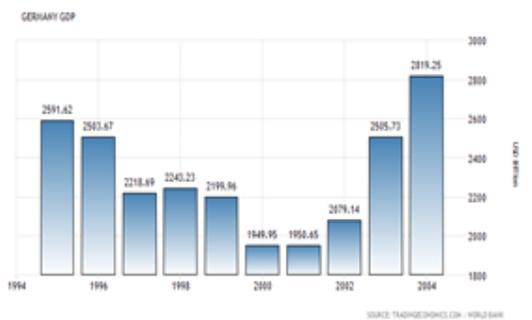
China GDP 1960-2018

The Gross Domestic Product (GDP) in China was worth 12237.70 billion US dollars in 2017. The GDP value of China represents 19.74 percent of the world economy. GDP in China averaged 1970.49 USD Billion from 1960 until 2017, reaching an all time high of 12237.70 USD Billion in 2017 and a record low of 47.21 USD Billion in 1962. (Source: <https://tradingeconomics.com>)



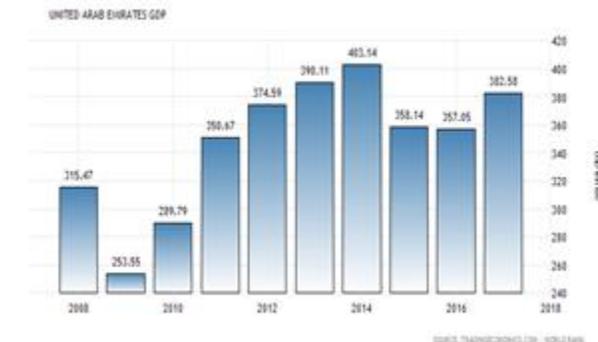
Germany GDP 1970-2018

The Gross Domestic Product (GDP) in Germany was worth 3677.44 billion US dollars in 2017. The GDP value of Germany represents 5.93 percent of the world economy. GDP in Germany averaged 1940.41 USD Billion from 1970 until 2017, reaching an all time high of 3890.61 USD Billion in 2014 and a record low of 215.02 USD Billion in 1970. (Source: <https://tradingeconomics.com>)



United Arab Emirates GDP 1973-2018

The Gross Domestic Product (GDP) in the United Arab Emirates was worth 382.58 billion US dollars in 2017. The GDP value of the United Arab Emirates represents 0.62 percent of the world economy. GDP in the United Arab Emirates averaged 131.39 USD Billion from 1973 until 2017, reaching an all-time high of 403.14 USD Billion in 2014 and a record low of 2.85 USD Billion in 1973. (Source: <https://tradingeconomics.com>)



IV. DISCUSSION & CONCLUSION

Data shows GDP state of countries that hosted the Expo in the last three episodes. This is in a bid to understand the robustness of the economy before the event. Some data shows that the economy of the host fluctuates with a huge down turn in the year of the main event.

Italy GDP fluctuates concurrently five years prior to hosting the expo with an average year GDP of 2,163.30b, lowest was 2012 – 2,072.82b and in 2015 – 1832.87b, the year of the event. The next two years plummeted to an average of 1,897.34b over the next two years.

China is the only country with an unconditional rise pre and post the expo. Infact, the expo motivated the Chinese economy and gave it a higher exposure to the world. As shown by the histogram for the GDP, its economic GDP average 5years prior to the expo in 2010 was 3,659.69b, the year of the expo - 2010 rose still at 6,100.62b, 19.4% from previous years. The next four years recorded an average of 9.055.67b. In compares of the average of years prior to the expo, an astonishing 147.44% increase.

Germany averaged at 2,351.44b five years prior to the expo in year 2000 but took a -17% hit off the average at 1949.95b. The next four years saw consistent growth at an average of 2,338.69b over the next four years.

Dubai, the host of the expo 2020 has had a stable and growing economy since 2012. In fact the last six years till date average 377.6b in GDP. With the investment for the expo, 2018 and 19 will sure rise above the average. Although, it is expected that 2020 will take a hit, it can be resuscitated and its development of the expo sustained if Mania Kanodia, titled Six Main Factors Affecting GDP namely, can effect the following in reference to this article:

- ✓ Leisure Preference
- ✓ Non-Marketed Activities
- ✓ Underground Economy
- ✓ Environmental Quality and Resource Depletion
- ✓ Quality of Life
- ✓ Poverty and Economic Inequality

These factors will highlight how Dubai can sustain the development of the economy post expo.

Leisure Preference:

Due to technological progress, average productivity of resources (including manpower) has gone up in most industrialized countries. This has enabled workers to enjoy more leisure. The increased leisure available to the workers allows them to enjoy more recreation in the form of weekend terms and pursuing cultural activities. Their activities are, no doubt, welfare-enhancing in nature. But their extra hours of leisure are not priced in markets and, therefore, do not get reflected in GDP.

Non-Marketed Activities:

All economically important activities are not bought and sold in market. With a few exceptions, such as government services, non-marketed economic activities are omitted from GDP. An example is unpaid housekeeping services. Another example is voluntary services of NGOs such as volunteer free service and education services offered free of cost to poor children in slums. Such unpaid and un-priced services, no

doubt, increase social welfare. But they are omitted from GDP, because it is difficult to estimate their market values.

Underground Economy:

Many activities are performed unofficially. The underground economy includes both legal and illegal activities from informal (private) nursing, house cleaning or child care to organised crime. House cleaners or plumbers are paid in cash. Such transactions go unnoticed by the tax authorities. However, such activities have a welfare implication. No doubt, they may enhance or reduce social welfare.

Environmental Quality and Resource Depletion:

China and India have recently achieved tremendous growth in real GDP and are cited as two models of globalization. But in expanding their manufacturing base, both countries have also suffered from a severe decline in air and water quality. Increased pollution certainly reduces the quality of life. But because air and water quality are not bought and sold in markets, the Indian GDP does not reflect this downside of its economic growth. The explanation of finite (non-renewable) natural resources also tends to be overlooked in GDP. If more oil is extracted today, less oil will be available in future. But this fact is not reflected in GDP. Incorporating factors like air quality and resource depletion into a comprehensive measure of GDP is difficult, since it often involves placing a rupee on intangibles, like having a clean river to take water instead of a dirty one. But the fact that the benefits of environmental quality and resource conservation are not measured in terms of money, does not mean that they are unimportant.

Quality of Life:

Various factors make a particular town or city an attractive place to live. Some of these desirable features get reflected in GDP: spacious, well-constructed homes, good star hotels and restaurants, a variety of entertaining and high-quality medical services. However, other indicators of good life are not sold in markets and so may be omitted from GDP. Examples include a low crime rate, minimum traffic congestion, active civic organizations (like municipal corporations) and open space.

Poverty and Economic Inequality:

With increase in per capita income, the incidence of poverty often goes up. So, social welfare diminishes. This is what has happened in India over the plan period. Although India has achieved a satisfactory growth rate in recent years, the planners have failed to alleviate poverty in 56 years. Even though a dent has been made on poverty in recent years due to financial assistance from the World Bank and the IMF, the degree of income inequality has increased rather than diminished even though the growth rate has picked up. Moreover, a GDP measure the total quality of goods and services produced and sold in an economy, but it conveys no information about who enjoys those goods and services. Two countries may have identical GDPs but differ markedly in the distribution of economic welfare across the population. Furthermore people's economic satisfaction depends not only on their absolute economic position — as measured by the quantity and quality of food, clothing and shelter they have but on what they have compared to what others have.

REFERENCES

- [1] Trading Economics; www.tradingeconomics.com
- [2] Hotel News ME | The professional perspective for the hospitality industry. (n.d.). Retrieved from <http://www.hotelnewsme.com/>
- [3] 6 Main Factors Affecting GDP. (2015, November 30). Retrieved from <http://www.economicdiscussion.net/gdp/6-main-factors-affecting-gdp/15344>
- [4] What is Tourism: Tugberk Blog 2010
- [5] ADAT; Five Areas Dubai Expo 2020 Will Impact On
- [6] MEED: Middle East business intelligence, news, data, analysis & reports; <https://www.meed.com/>