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**Covid-19 in the Gulf
Special Coverage**

**The Sudden Cost of Unexpected Threats:
The Novel Coronavirus and Dubai
Hamdullah Baycar**

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Introduction

The economy of Dubai is remarkable in that it has moved away from an oil-based to one in which 95% of its income is derived from non-oil sectors. This diversification has been possible thanks to the real estate, tourism, and transportation sectors, which in turn, have transformed the emirate into a truly global city. Being a global city, however, comes at a cost. It requires a stable region (and even a stable world) that is far away from any conventional (like wars) or unconventional threats, such as epidemics and natural disasters. Hence, during a regional or international outbreak, the blessing of being a highly global city can also be its curse.

The first two months of 2020 were not a good start for Dubai and the UAE. To begin with, the region saw a rise in Iran-US tensions in Iraq. The Islamic Revolutionary Guard Corps of Iran, for example, [threatens](#) Dubai (and the UAE) to be the one of next targets if Iranian soils are bombed because of the alliance of the UAE with the US. A more unconventional threat has been the spread of the novel coronavirus (COVID-19) to the UAE and the world. Dubai has been affected because of its economic structure, cosmopolitan population, and reliance on tourism and tourism related sectors. Furthermore, experts believe that if the virus is not contained soon, i.e. before it has substantially affected export-import relations, and more importantly, before the Expo2020 in October, when Dubai expects to host [25 million visitors](#) and make [\\$33 billion](#), the cost of

coronavirus to Dubai will be highly damaging.

By the time this piece was written, the virus has already spread to [121 countries](#) causing an estimated [5486](#) deaths among 145,826 infected people. The UAE is one of the affected countries, announcing [85](#) confirmed cases with no deaths. Even though the UAE and Dubai are still safe places in which to conduct regular affairs, any sector that relies on international connections is likely to be affected. Some of the potentially most affected areas include (1) the decrease in import and export and related areas such as ports, free trade zones, and re-exporting firms, (2) sectors which are directly related to tourism and hospitality sectors, like hotels, real-estates, international events, and airlines, (3) the worst-case scenario is the effects of the coronavirus lasting until October 2020, thus leading to disappointment or the cancellation of Expo2020.

Import and Export

Exports and imports to and from China are one of the issues that the virus may affect if it is not stopped. China is the leading import source for the UAE, with [15% of imports](#) coming from China in 2018. China, in return, imports oil and gas from GCC countries. As Dubai is not a significant producer of oil and gas, the direct impact of oil and gas is negligible. The entire UAE only [exports 4.2% of its](#) total exports to China, the least of all GCC countries. However, the decrease in the Chinese need for oil and gas has far broader implications because the need for less oil means less manufacturing is

occurring in China. This means more expensive export goods to Dubai and the UAE.

Even though Dubai is not a significant exporter of oil, the fall of oil prices to 2008 levels, affected the capital emirate, Abu Dhabi, and thus the federal budget. Experts have already revisited the impact of the coronavirus on GCC nations' [GDPs](#) as their expectation was that the coronavirus would be contained before March. The Dubai Financial Market fell 4.5%, while its sister market in Abu Dhabi fell 3.6%, at the close of trading at the end of February, the lowest this year. It has since only partially recovered from this fall.

Tourism and Tourism Related Sectors

Emirates Airlines, owned by the Emirates Group, have asked their employees to take [paid and/or unpaid](#) leave because “a particular challenge for us right now is dealing with the impact of the COVID-19.” This challenge has caused a “measurable slowdown in business across our brands, and a need for flexibility in the way we work.” The company had more than 100,000 employees, including more than 21,000 cabin crew and 4,000 pilots at the end of March 2019, the end of its last financial year. In addition to canceled flights from and to [many](#) Iranian, Italian, Chinese, Bahraini, and Saudi cities, a general decrease in air travel demand has harmed the firm. Related to canceled flights, travel restrictions to other countries directly affect Dubai-based airlines because Dubai is known for being a transfer hub for overseas travel.

Dubai may have already faced a recession in tourism because tourists from China, Italy, Iran, and other affected countries have a significant contribution in the Dubai tourism market share. Furthermore, as Dubai is

known as a [home to 200 nationalities](#), some people may avoid visiting global cities such as Dubai in such times. As it is tough to determine what the impact of this virus in Dubai and the rest of the world will be, [for the time being](#), the canceled flights, [bans](#), and travel restrictions can serve a sign of some losses. In 2018, around [1 million Chinese people visited Dubai](#) (3.9% of [total](#) passengers who passed through Dubai International Airport in 2018), and last year, [284,000](#) Iranians visited Dubai. Some important sectors of Dubai include hospitality, retail, development, and real estate. [Emaar Group's shares](#), one of the most important groups that are in all of these sectors, struggled in 2020. Furthermore, Burj Khalifa shares dropped [10%](#), Emaar Malls lost [4.7%](#), and Emaar Development lost [8.4](#) percent at the end of February.

Many important international [events](#) have already been affected and are being canceled or postponed. For example, Dubai Lynx, an event that brought 2400 influential people in 2019, was set up for March 2020 but had to be rescheduled to September 2020. Dubai International Boat Show, one of the most prestigious marine shows in the region is another event that had to be postponed to November. Careers UAE 2020 and Dubai Chess Open 2020 were also postponed for an indefinite period. Even though many of these events may not be individually of a strategic importance to the Dubai economy, events like these show the harm the virus has on the emirate. These events all help the tourism, retail, hotel, transport and airline sectors. They boost spending in the economy (and provide jobs). They also increase Dubai's worldwide prestige, so they do have strategic importance as a whole.

EXPO2020

The worst scenario, however, would be if the virus is not contained by the second half of 2020. In that case, Expo2020, an event that every country dreams of, may not fulfill expectations. As Expo2020 has not yet begun, it is too early to anticipate the impact, but if the coronavirus is not controlled globally, Expo2020 may be a liability more than an advantage. The year 2020 was planned to be the year in which the Dubai economy (and even the UAE) would strengthen its capacity and recover from the infamous recession of the 2008 construction crisis, thanks to the universally known and prestigious event, Expo2020.

The ruler of Dubai and other officials have ordered all construction to be finished by the time Expo2020 begins, to promote a positive image of Dubai and the UAE to the world. Dubai aims to attract 25 million visitors and \$33 billion of revenue with this extraordinary event. But even more importantly, Dubai aims to secure its future by creating new jobs and businesses for the future.

Even without the impact of coronavirus, hosting a world-level event like the Expo is not free from risks. Many remember the disappointment of Expo2000 in Germany. Germany expected to attract 40 million visitors, but could not reach even half that number (18 million). A lesser-known [Expo failure](#) was the 1984 World Expo in New Orleans, which almost bankrupted the state. Milan's 2015 Expo was another example of how the Expo can fail because of the corruption case that followed. Good news for Dubai, however, comes from the Shanghai 2010 Expo. With 70 million visitors, it gained the [title of the most visited Expo in history](#), earning \$53 billion.

Conclusion

Dubai is one of the most frequently visited tourist destinations, both in the Middle East and around the world. Contrary to a commonly held belief, Dubai is not an oil or gas-rich city, and [only 5%](#) of its GDP is derived from oil. Instead, Dubai enjoys making headlines by being the financial capital of the United Arab Emirates (the UAE) and as a city with an [obsession with superlatives](#) (the tallest building, the largest inland shopping center, among many others) where finance, business, and tourism meet. To maintain this status, Dubai needs stable conditions both internally and externally. Although it is the dream of many other Gulf states to diversify their economies into areas such as tourism, re-export, and finance, this benefit can also be a nation's curse during times of internal or international instability.

A global outbreak (like COVID-19), in which more than 140,000 people from 121 countries were infected, and one which results in many countries restricting their citizens' travel, affects Dubai as well as other cities negatively. Some of the areas that will affect Dubai most are also the most powerful areas of Dubai such as tourism, real estate, and re-export sectors. Dubai's powerful sectors, such as airlines, ports, re-exports, free-trade zones, real estates, stock market, and finally its hospitality sector, which is based on many international events and fairs, are expected to be affected greatly. The nightmare of Dubai, however, would be if the virus is not contained by the second half of 2020 as it is the eve of EXPO 2020, which will kick off in October 2020. Mohammed bin Rashid Al Maktoum of Dubai already promised that the EXPO 2020 will be the [best](#) in its kind which has around 168-year history. Dubai aims to restore and strengthen its economy and visibility

with this event which aims to bring \$33 billion to the Dubai economy.

About the author:

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About the Gulf Insights series:

The "Gulf Insights" series is published by the Gulf Studies Center on a weekly base with the aim to promote informed debate with academic depth. The Gulf Insights are commentaries on pressing regional issues written by the GSC/GSP faculty, staff PhD and MA students, as well as guest scholars, and they can be between 1,200 to 1,500 words.

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