Sustainable Tourism for Dubai’s Economic Development
This chapter highlights the tourism sector’s important contribution to Dubai’s economic growth and how it is fundamental to the successful diversification of the emirate’s economy and that of the UAE as a whole. However, tourism generates undeniable economic benefits, as well as long-term costs and challenges. The focus of this chapter, and a major theme of this year’s report, addresses these challenges in the context of sustainable tourism.

- The growth of tourism has produced significant economic benefits in Dubai and is also playing a major role in the economic diversification of the federation.

- The continual rise in the number of international visitors to Dubai, 8.7% increase per year, has had a major positive economic impact on the emirate’s development across sectors and a rise in the labour force.

- Dubai attracts visitors who are high spenders on branded luxury goods, contributing to 20.4% of total annual retail sales, of over AED 100 billion.

- With four ports, Dubai is ideally situated for marine tourism and is the activity hub for five luxury cruise lines and 20 global cruise companies.

- DEWA is investing AED 4.26 billion in electricity and water infrastructure projects to ensure energy used during Expo 2020 will come from renewable sources.

- To safeguard against a future oversupply of accommodation, the Municipality of Dubai is overseeing the emirate’s overall urban growth, including housing and hotels and hotel apartments.
Dubai’s Action Plan for Sustainable Tourism

Tourism is an economic driver for Dubai and the UAE, amounting to 4.9% of the emirate’s GDP / US$5.2 billion. Sustainable tourism can enable Dubai to successfully build this sector in a manner that fosters an increase in visitors and a diversified economy while promoting regional culture and being attentive to the impact of tourism on the environment.

1. **Protecting the Environment**
   - Diversifying Dubai’s clean energy-mix of solar and natural gas
   - The Carbon Dioxide Emission Reduction Programme, launched in 2012, is a roadmap for short, medium and long-term emission reduction actions up to 2030.
   - **30% Efficiency by 2030**
     - Reducing energy & water demand

2. **Promoting Regional Culture**
   - Etihad Museum, opened in January 2017, showcases the history of the UAE
   - The Museum of the Future opened in February 2017 with focus on technology
   - **Expo 2020**
     - It will offer events, exhibitions, performances, meetings and many other activities that positively reflect the culture of the UAE and Gulf region

3. **DTCM infrastructure for Stimulating Tourism Investment**
   - Solicited investment from local and global companies for hotel construction, resorts and amusement parks
   - Government infrastructure successfully encourages private sector investment in hotels and other visitor accommodation
   - In 2017, ten new hotels opened, increasing the total number of hotels in Dubai to 485 in all categories, a rise of 2.1 per cent over the previous year.

4. **Supporting the Community**
   - **20 M** Visitors
   - **270 K** New Jobs
   - **Resorts**
   - **Amusement Parks**
   - **Theme Parks**

7% of total UAE investments of 2016 went for tourism
Introduction

Tourism is a key sector contributing to Dubai’s economic growth and it is fundamental to the successful diversification of the emirate’s economy and that of the UAE as whole. This chapter highlights the importance of the sector, but given that tourism generates long-term costs and challenges which net out of the undeniable economic benefits, the focus of this chapter and a major theme of this year’s report, is on sustainable tourism.

The first two sections of this chapter highlight the relationship of Dubai’s tourism with economic growth and development and its economic impacts on other sectors of the economy. The next three sections address first recent developments in Dubai’s tourist sector in 2017 and in the years before that, then Dubai’s tourism strategy and thirdly the main factors driving the demand and the supply sides of Dubai’s tourist industry.

The fifth section of this chapter summarizes the Dubai government’s efforts towards laying out the foundations for sustainable tourism for the future. Then, the sixth section draws on international policies and practices in order to extract the main lessons to be learnt for a country to develop a successful and sustainable tourism industry. Finally, the chapter concludes with an overall assessment and policy recommendations.

The growth of tourism has produced significant economic benefits in Dubai and is also playing a major role in the economic diversification of the federation.
Dubai’s Tourism and Economic Development

4.1 Travel and Tourism is one of the more important drivers of sustainable economic development creating jobs and contributing to global economic activity in a large variety of direct and indirect ways. Tourism encompasses international visits for any main reason either leisure, business, medical or other personal. According to the World Travel and Tourism Council the sector directly contributed 3.2 per cent of global GDP or US$2.57 trillion in 2017. The total contribution taking account of indirect effects on other sectors and multiplier effects based on induced investment spending and the collective spending of governments and of employees was estimated at 10.4 per cent of global GDP. This is expected to grow by 3.8 per cent per annum from 2018 to reach 11.7 per cent of world value added by 2028. International overnight travel and expenditure by travelers has been rising at over twice the growth rate of global real GDP.

4.2 Dubai Statistics Center (DSC) defines a tourist as anyone staying in a hotel or accommodation for one night or more. Since 2014, official tourism statistics have included those who stay for one night or more at their relatives’ or hosts’ private residences. The number of visitors to Dubai has been rising since 2009 at an annual average rate of 8.7 percent, in excess of the growth in the economy. The tourism sector in the Dubai’s National Accounts is defined to include Accommodation and Food Services activities (restaurants and hotels). In 2017 the accommodation and food services activities, largely driven by tourism, contributed 4.9 per cent to GDP compared to 3.5 per cent in 2009, showing the sector has risen faster than Dubai’s real GDP during the same period.

4.3 In the Gulf region, tourism is also seen as a means of diversifying the economy away from reliance on energy exports and an initiative was established in 2015 to encourage intra-country tourism within the region. There is also a relationship between economic growth and tourism in that richer countries have the infrastructure that attracts more visitors for business or leisure.

In the GCC, a recent study found evidence that this has been the direction of causality for all countries apart from Bahrain. This country level study, however, focused on the role of tourism and growth in the UAE as a whole not just Dubai, where the government has successfully stimulated tourism as a means of encouraging growth. As a result tourism is less important in other emirates. Therefore, for the UAE as a whole, with its high dependence on energy exports the most likely causal relationship would be economic growth driving visitors, while in Dubai it is more likely that it is tourism influencing growth. This is a long-term supportive relationship. The growth of tourism has produced significant economic benefits in Dubai, but it is also playing a major role in the economic diversification of the federation. Dubai is helping transform the UAE into a top international leisure and entertainment destination developing into a global hub for tourism.

1 The United Nations definition of a tourist is a traveler taking a trip to a main destination outside his/her usual environment for less than a year and for any main purpose (business, leisure or other personal purpose) other than to be employed by a resident entity in the country or place visited. International Recommendations for Tourism Statistics (ITRS 2008), para. 2.9.
People viewing marine life in the underwater tunnel at the Dubai aquarium.
Recent Developments in Dubai’s Tourism sector

4.4 Dubai is the most popular tourist destination in the Gulf and the fourth most popular destination worldwide according to Master Card’s Global Destination Cities Index.

Dubai’s popularity as a tourist destination is demonstrated by the continual rise in the number of annual overnight visitors which have grown every year over the last decade from 6.9 million in 2007 to 15.8 million in 2017. Further growth is planned as stemming from the government’s medium-term plan “Tourism Vision 2020”, launched in May 2013 by Sheikh Mohammed bin Rashid Al Maktoum, with the aim of attracting 20 million annual tourists to Dubai by that date. These trends are illustrated in Figure 4.1.

The tourism sector in Dubai is expected to see a similar trend growth in 2018, with occupancy rates expected to rise as a result of strong demand growth, while increased competition from new hotels is expected to result in a slight drop in prices. Reducing costs will be a top priority for many players in the tourism sector. Moreover, the demand for leisure and entertainment tourism is also expected to rise as a number of mega projects enter the market such as La mer, Dubai Safari Park and Dubai Frame.

4.5 In terms of the geographical source of visitors by region, in 2017 Western Europe maintained its advanced position and contributed a significant 21 per cent increase in international visitors, ahead of the GCC and South Asia regions, each of which accounted for 19 per cent and 18 per cent, respectively. The Middle East and North Africa (MENA) region remained stable at 11 per cent, North and South-East Asia accounted for 11 per cent of the total number of visitors, while Russia, the CIS and Eastern Europe accounted for 7 per cent, which is a remarkable increase of 40 per cent over the total number of international visitors in 2017. (Figure 4.2)

The Emirate of Dubai aims to maintain its market share of visitors from countries where it is already a popular destination and attract tourists from new countries, particularly those with high growth potential such as China while encouraging repeat visits by all tourists. In practical terms this has entailed widening and deepening the global demand to visit Dubai as a tourist destination.

These efforts are essential because at present the provenance of international visitors to Dubai is concentrated which puts the sector at risk from economic and political shocks. In 2017 statistics from the Department of Tourism and Commerce Marketing (DTCM) show that three countries — India, the Kingdom of Saudi Arabia and the United Kingdom accounted for just under a third — 31 per cent of all international visitors. In the same year the top ten source countries for international visitors accounted for 58.7 per cent of all tourists in 2017.

4.6 The number of visitors from India has reached around 2.1 million and increased by 15 per cent in 2017, becoming the first country to exceed 2 million visitors in a single year. The Saudi market maintained its second position in terms of visitors, after registering 1.53 million visitors, down by 7 per cent from 2016, but the Kingdom of Saudi Arabia is still the main source from the GCC region. The UK came in third with 1.27 million visitors and 2 per cent growth over 2016, confirming the wide appeal of Dubai to the British visitors.
**Figure 4.1: International Overnight Visitors to Dubai 2007-2017**

- **2006**: 6.4 million
- **2007**: 6.9 million
- **2008**: 7.5 million
- **2009**: 7.6 million
- **2010**: 8.3 million
- **2011**: 8.9 million
- **2012**: 10 million
- **2013**: 11 million
- **2014**: 13.2 million
- **2015**: 14.2 million
- **2016**: 14.8 million
- **2017**: 15.79 million
- **2020**: 20 million

**Source:** Tourism statistics – Dubai Statistics Center

**Note:** Since 2014, official tourists’ statistics include those who stay for one night or more at their relatives’ or hosts’ private residences and thus explains the jump in the total number of tourists in that year.

**Figure 4.2: Hotel guests in Dubai according to Region (2017)**

- **South Asia**: 18%
- **Western Europe**: 21%
- **GCC countries**: 19%
- **MENA**: 11%
- **Russia, CIS, EE (Eastern Europe)**: 7%
- **Americas**: 6%
- **Africa**: 5%
- **North Asia and South-East Asia**: 11%
- **Australasia**: 2%

**Source:** Tourism statistics – Dubai Statistics Center
Dubai has been relatively successful in maintaining market share from its main source countries and as shown in Figure 4.3. There has been stability over the last three years in the attraction of tourists from the top 7 countries to visit Dubai. The statistics show that both China and Russia have benefited from the facilitation procedures for the issuance of visas on arrival to nationals of the two countries, which were announced by the end of 2016 and the beginning of 2017. While Russian visitors registered 530 thousand visitors up from 240 thousand in 2016 scoring the highest increase of visitors with 121 per cent more than the previous year, although this also represents a recovery from the level of 420 thousand visiting three years ago.

The success of Dubai in attracting visitors from China has meant that the country displaced Pakistan, which still saw a respectable growth of 29 per cent in visitors over the three year period, out of its position in the top six source nations. The number of visitors from China moved from rank 11 in importance in 2014 to rank 5 in 2017, caused by a rise in the number of visitors of 118 per cent over the period. The new policy of visa on arrival helped increase the number of Chinese visitors by a further 41 per cent in 2017 to register 764 thousands visitors. Oman, one of the top six countries visiting Dubai with 5.5 per cent of all visitors in 2017 has been volatile as the number of visitors fell by 16.9 per cent on the previous year and are just above the level three years ago.

Efforts to diversify the mix of tourists in Dubai include promoting the emirate to new source markets, particularly those with high growth potential. In early 2017 the DTCM began efforts to further diversify the mix of tourists in Dubai by targeting South Korea and testing out new markets like Indonesia and Malaysia which have cultural affinities to the emirate. Iranians are also an important source of new tourist arrivals and arrivals have been growing steadily over the last three years with further growth of 7 per cent in 2017 compared to the year before. The success of the DTCM’s policies was also evidenced by the impact of the easing of visa regulations to purchase-on-arrival since 2014, which has resulted in a significant rise in arrivals from EU countries over the course of the following year, including Bulgaria, Romania and Hungary.

Dubai is also attempting to diversify its tourist profile in terms of income group by attracting a greater share of mid-market visitors. This objective is necessary to achieving the 2020 target of 20m tourist arrivals and its implementation is evident in the rise in the number of visitors from India and China. From the demand side, marketing efforts are being focused on China using social media as a marketing tool by the DTCM. From the supply side, a number of hotels aimed at the three- and four-star market are under construction.
4.11 The continual rise in the number of international visitors to Dubai has had a major positive economic impact on the emirate’s development, directly through the size and pattern of the spending of visitors across sectors, and indirectly through the investment in the infrastructure and in the rise in labour force employed necessary to facilitate access and spending.

From the supply side tourism sector also plays an important role in generating additional indirect tourism value-added to other industries that provide inputs to the tourism-related activities such as air-land and maritime transport, airports, recreation and entertainment and healthcare, as well as real estate and the retail trade.
While Dubai was ranked fourth by MasterCard’s Global Destination Cities Index, it was ranked first in terms of total expenditure by tourists amounting to US$29.7 billion (AED 109.3 billion dirhams) in 2017 ahead of London with a growth rate for the emirate of 6.2 per cent over the previous year. (Table 4.1)

The Dubai Statistics Center (DSC) defines the tourism sector narrowly to include Accommodation and Food Services activities (restaurants and hotels). By this definition the contribution of the tourism sector—represented by accommodation, food and beverage service activities in the national accounts—to Dubai’s GDP (in constant prices) reached AED 19 billion in 2017, which was equal to 4.9 per cent of GDP. While tourism GDP grew faster by 8 per cent in 2017 from previous years it is expected to continue to grow at a high rate during the coming years ahead of Expo 2020. (Figure 4.4)

The impact of tourism on Dubai’s economy is far greater than the 4.9 per cent of value added accounted for by expenditures in the Accommodation and restaurants sector. The Mastercard Global Destinations Survey estimated that tourists spent AED 109.3 billion in 2017, far in excess of the AED 19 billion spent on hotels and food. Short-term visitors have a large impact on total consumer expenditure in Dubai spending money which benefits other sectors while the increase in investment to expand the supply of accommodation to house a rising number of visitors has an impact on the construction sector and a multiplier effect on the economy.

The continual rise in the number of international visitors to Dubai, 8.7% increase per year, has had a major positive economic impact on the emirate’s development across sectors and a rise in the labour force.
### Table 4.1: Rank of Dubai and International Cities, 2016-2017

<table>
<thead>
<tr>
<th>City</th>
<th>Rank</th>
<th>Number of Visitors</th>
<th>Change</th>
<th>Tourists’ Spend</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>2016</td>
<td>2017</td>
<td>2016 and 2017 (bn$)</td>
</tr>
<tr>
<td>Bangkok</td>
<td>1</td>
<td>19.4</td>
<td>20.1</td>
<td>3.3</td>
</tr>
<tr>
<td>London</td>
<td>2</td>
<td>19.1</td>
<td>19.8</td>
<td>4.0</td>
</tr>
<tr>
<td>Paris</td>
<td>3</td>
<td>15.5</td>
<td>17.4</td>
<td>12.9</td>
</tr>
<tr>
<td>Dubai</td>
<td>4</td>
<td>14.9</td>
<td>15.8</td>
<td>6.2</td>
</tr>
<tr>
<td>Singapore</td>
<td>5</td>
<td>13.1</td>
<td>13.9</td>
<td>6.1</td>
</tr>
<tr>
<td>New York</td>
<td>6</td>
<td>12.7</td>
<td>13.1</td>
<td>3.4</td>
</tr>
<tr>
<td>Kuala Lumpur</td>
<td>7</td>
<td>11.3</td>
<td>12.6</td>
<td>11.5</td>
</tr>
</tbody>
</table>

Source: MasterCard’s “Global Destination Cities Index”, 2018

* Data of Year 2016

### Figure 4.4: The performance of the accommodation and food services activities sector in Dubai

Source: Tourism statistics – Dubai Statistics Center
Tourism and Retail Trade

4.14 Tourism plays a significant and growing role in the contribution of the retail trade to Dubai’s economy. In the last decade, Dubai has attracted a rising number of visitors who are relatively high spenders, particularly on branded luxury goods. A study carried out by the Dubai Department of Economic Development estimated the contribution of foreign visitors at nearly 20.4 percent of total annual retail sales of AED 100 billion in 2012, which was expected to have grown to 24.8 per cent by 2017. The Mastercard Global Destinations Survey, in contrast, estimated that 31.0 per cent of the total expenditure of overnight visitors was accounted for by shopping while 8.0 per cent was spent on local transport with a further 10.0 per cent on local services.

Dubai Mall, the world’s largest shopping mall, part of the 20 billion dollars Downtown Dubai Complex, and includes around 1,200 shops.

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Tourism is overseen by the Dubai Department of Tourism and Commerce Marketing (DTCM), established in 1997. This government entity has replaced and built on the substantial progress made by the Dubai Commerce and Tourism Promotion Board (DCTPB), an emirate-level government entity launched in 1989 with the aim of promoting Dubai as a tourist destination by attracting top-level events which encouraged airlines to route direct flights to Dubai. The DTCM has played a pivotal role in planning and implementing development strategies for the sector, and overseeing all tourism activities. DTCM has worked to encourage demand to visit the emirate and investment in the sector to stimulate the supply of the necessary infrastructure to provide an attractive environment to tourists all year round. DTCM has also worked to encourage the participation of both public and private entities in developing a modern and both luxurious and affordable facilities for visitors.

The DTCM strategy to attain this goal has been based on three key objectives:

1. Maintaining market share in existing source markets
2. Increasing market share in markets with high growth potential
3. Increasing the length of stay of tourists and the number of repeat visits

In order to meet these objectives the DTCM has worked on both the demand and supply side of the industry referred to above. The Department has stimulated demand through the factors that attract visitors to Dubai — events, retail facilities, exhibitions etc. and has consistently lobbied the UAE federal authorities to reduce the transaction costs of visiting Dubai by extending the number of countries whose citizens can purchase a visa-on-arrival. This facility has been extended to EU citizens since March 2014, to Chinese visitors in November 2016, to Russian nationals in February 2017, as well as Indian passport holders with a valid US visa or green card in March 2017.

The DTCM has also increased the interest of local and global companies to invest in building hotels, to raise the supply of accommodation and in resorts and amusement parks in the emirate which raise the demand to visit Dubai. In 2016 capital investments in tourism by the government and private players, such as hotel development companies, totaled AED 26.2bn, or about 7 per cent of total investments in the UAE’s economy over the course of the year according to the World Travel and Tourism Council (WTTC). This figure is expected to increase considerably by 2020, reflecting Dubai’s push to prepare for Expo 2020. The WTTC projects investments in travel and tourism infrastructure will grow by 11 per cent per annum up to 2027, at which point they will have reached AED 74.5bn, or 11.2 per cent of total investments. As the largest tourism industry in the UAE, Dubai would be expected to account for most of this expenditure.

Dubai has also embraced the digital economy in order to increase the supply of accommodation from private rentals. In mid-2016 the DTCM permitted homeowners to apply for a holiday home rental licence which requires the homeowner to meet certain requirements in terms of amenities and is valid only for short period entire-home rentals. The move had the intended effect of moving hundreds of individually listed apartments on websites like Airbnb onto the formal market in the emirate.

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5 https://www.wttc.org/
CHAPTER 4 | Sustainable Tourism for Dubai’s Economic Development

Key Drivers for the Development of Dubai’s Tourism

4.19 Tourism, as an economic activity, has become an increasing source of revenue and employment in Dubai. From the perspective of its economic impact and the design of government policy, the sector can be viewed from both the demand side referring to the activities of visitors and their role in the acquisition of goods and services, but also from the supply side, as the set of productive activities that cater mainly to visitors.

Demand Attraction Drivers of Dubai’s Tourism

4.20 Dubai tourism development plans have relied on a diversity of events that focused strategically on organizing and hosting exhibitions, conferences and events, which are in line with Dubai Government’s diversification policies. The event agenda promotes long term growth, stimulates business with the wider region, and increases communication and investment opportunities among organizers, exhibitors and visitors, and establishes Dubai as a global business and leisure destination.

Expo 2020
The biggest event currently planned to attract visitors to Dubai is Expo 2020 scheduled to run from autumn 2020 until spring 2021. The world exposition is expected to generate an enormous amount of press for the emirate, and to attract millions of visitors during its six-month run (from October 2020 until April 2021), of which the majority will be from overseas. Expo 2020 will involve events, exhibitions, performances, meetings and many other activities and the host intends that these activities will reflect the culture of the UAE and the Gulf. Expo 2020 is expected to generate more than 270 thousand new jobs in the various sectors of the economy, as a result of holding the exhibition and the associated activities. The hotels and restaurants sector is expected to have a large share of the value added from the exhibition. Hosting a successful expo generates economic benefits over time as experienced by cities such as Shanghai and Milan. The number of tourists visiting Milan in 2016 rose by 2.1 per cent to 5.6 million the year after it hosted Expo 2015.

Culture, Sport and Entertainment
The DTCM has worked hard to attract major sporting and cultural events. In the last few years the emirate has opened a number of cultural venues including Dubai Opera, which will stage classical opera inviting touring troupes and popular music and theatrical performances. Additionally the Etihad Museum opened in January 2017 to showcase the history of the UAE; the Museum of the Future, which opened in February 2017 with focus on technology; and the Mohammed bin Rashid Library which is expected to open in 2018.

The DTCM has also focused on raising Dubai’s reputation as a center for international sporting events. Dubai Sports City was launched in 2004 as a mixed-use suburb that is home to 15,000 residents in addition to a wide range of retail, leisure and sporting facilities, including the 25,000-seat Dubai International Stadium. The most important sporting events in 2017 were: the “al-Marmoum” camel rider racing season; basketball and volleyball championships; and football, golf, swimming, tennis, cycling, motor racing, sailing, and boxing events. The Dubai’s International Boat show was held in 2017, an annual event where owners and interested parties can view and purchase leisure yachts and boats of a variety of sizes.

Family entertainment attractions include Dubai Parks & Resorts, IMG World of Adventure, Safari Dubai and the Dubai Mall.

Meetings, Incentives, Conferences and Exhibitions (MICE)
The MICE market involves a form of business tourism where large groups of visitors are assembled for a particular purpose usually focused on a theme or topic. MICE events are usually planned some time in advance and are aimed at a professional, school, academic or trade organization or other special interest group. This market is growing rapidly in the GCC region, and particularly in Dubai.

In 2015, the most recent year for which comprehensive data were available, Dubai generated US$351 billion
of income from the MICE market, a market share of 27 per cent of the MICE market share in the GCC region valued at US$1.3 billion according to the PwC subsidiary and consulting firm Strategy&. The “Dubai World Trade Centre (DWTC)”, has hosted major annual shows and accounts for the attraction of Dubai to the MICE market. In 2017 the most important of these were: GITEX electronics fair; the “Cityscape Global” exhibition; the “Gulfood” exhibition, in its 22nd cycle, has been one of the largest leading platforms in the world in food trade; the Arab Health exhibition and conference; the “INDEX 2017” exhibition, which is considered the biggest and most diverse international event in the interior design market; the new events included the inaugural of “Gulf Host” sponsored by “Gulf Food”, which attracted great interest in addition to many other numerous events.

**Festivals**
The years 2017 & 2018 saw numerous festivals and events run in Dubai. Among the most significant festival was “Dubai’s Shopping Festival” which is regarded as one of the most important and largest festivals, not only in the region alone but in the world. The Festival has been held for twenty two years, starting every year from January until February. The “Global village” also opens its doors to visitors from November until April each year. There is also the “Dubai World Cup” festival for the best horses, races, and trainers, in addition to the “Dubai Food Festival”, which included impressive cooking events and various activities for all food lovers, including shows by the most famous chefs in the world, specialist conferences, and outstanding offers from restaurants in parts of the city. On top of that, “Modhesh World” entertainment for children, “Dubai’s Summer Surprises”, and “Ramadhan and Eid in Dubai” festivals are also held each year.

**Medical tourism**
Dubai has been active in attracting visitors for healthcare. In 2016 the Dubai Health Authority (DHA), the government body entity in charge of regulating and developing the emirate’s health sector, aimed to attract a minimum of 500,000 international medical tourists by 2020. Dubai’s hospitals have been experiencing a rising number of overseas patients and the DHA launched a new online portal aimed at attracting international medical tourists called the Dubai Health Experience in April 2016. The website serves as a comprehensive, one-stop shop for all health, travel, hospitality and visa services for interested visitors.

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Start of the famous Dubai shopping festival.
Shopping
The retail sector remains central to the emirate’s growth strategy to attract tourists. In 2017 the retail sector accounted for an important part of GDP and it is estimated that in that year visitors accounted for between 24 and 31 per cent of overnight visitors’ expenditure. There are annual retail-focused events like the Dubai Shopping Festival and on December 26, 2016, its first day, the DTCM launched an annual retail calendar, showcasing the emirate’s many shopping-related events over the course of 2017.

4.21 The impact of these demand-side factors have increased in the flow of tourists into Dubai and are reflected in the hotel room and hotel apartment occupancy rate. In 2017, the rate increased by 1.3 per cent in comparison with 2016 to reach 78 per cent. The increase came despite the over-supply of hotel rooms in the local market, consequently, putting more downward pressures on hotel prices during the year. (Figure 4.5)

4.22 The indicator for the average number of nights spent in Dubai’s hotels also reflects the emirate’s ability to attract visitors. The average nights rose steadily from 3.21 nights in 2010 to 3.84 nights by 2014. The average nights stayed have slightly decreased since then and fell further from 3.6 nights in 2016 to 3.5 nights in 2017. (Figure 4.6)
Supply Side Drivers of the Development of the Tourism Infrastructure

4.23 The government of Dubai has been successful in stimulating and encouraging tourism by providing the infrastructure and by encouraging private sector investment in hotels and other forms of accommodation for visitors. In 2017, ten new hotels were opened increasing the total number of hotels in Dubai to 485 in all categories, a rise of 2.1 per cent in 2017 on the previous year. (Table 10.2) Nevertheless, 10 hotel apartment buildings were closed, resulting in a decline of 4.9 per cent to a total of 196 in 2017. (Table 4.2)

The net impact of the supply changes in hotels and hotel apartments in 2017 increased the stock of all rooms available by 4.5 per cent to 107.4 thousand. The number of hotel rooms increased by 6.2 per cent from 77.9 thousand to 82.3 thousand. In contrast, the number of hotel apartment rooms fell marginally by 1.1 per cent to 25 thousand. The rise in rooms is in response to the ambitious plan announced by DTCM, which aims for a total hotel capacity of 160,000 rooms to be ready for when the Expo 2020 exhibition opens. (Figure 4.7)

4.24 The luxury hotel category predominates in the Dubai hotel sector with a new supply of seven 5-star and ten 4-star hotels opening by 2017. With Dubai’s growing presence as a family-friendly city and the encouragement of family tourism, Dubai is making greater efforts to increase the number of three- and four-star hotels than to the large number of five-star hotels as the demand for budgeted hotels has been growing continuously for the previous years.

The hotel rooms available in Dubai in 2017 were distributed as follows: 43 per cent in the five star category; 31 per cent in the four star category, and 26 per cent in the one to three star category. (Figure 4.8)

4.25 The data shows that over the last few years there has been a decline in average room prices across Dubai. In 2017, the average daily rates of hotel establishments declined by 3.8 per cent. The fall in price has been the effect of the rise in the supply of rooms and new hotels that have entered the market in the competition in the sector should increase the attractiveness of Dubai as a tourist destination. (Figure 4.9)

Cruise tourism in Dubai

4.26 The importance of cruise tourism has increased rapidly in recent years. Dubai has become a center for the activities of five luxury cruise companies operating globally and a maritime hub for cruises run by approximately 20 companies around the world. Cruises set off from Dubai to visit other Gulf cities as well as the Far East, India and the Mediterranean.

There are four ports, namely: Rashid, al-Hamriya, Jebel Ali and al-Shandagha, which enable cruise tourists to enter Dubai.

In 2017, Dubai received more than 625,000 cruise tourists, via a total of 157 ship calls, including more than 20 international cruise ships, reflecting an increase of 15 percent of cruise tourist compared to 2016. The marine tourism sector is looking for stronger performance in 2018, and it is building towards its goal of receiving one million visitors through cruise ships during the 2020/2021 season. Moreover, it is targeting to make Dubai the preferred winter tourism destination for the world’s leading travel companies specialized in this field.

### Table 4.2: Dubai Hotels, 2016-2017

<table>
<thead>
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<th>1 - 3 Star</th>
<th>4 Star</th>
<th>5 Star</th>
<th>Total</th>
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</thead>
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<td>2016</td>
<td>267</td>
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<tr>
<td>2017</td>
<td>260</td>
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<td>103</td>
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<td><strong>Number of Rooms</strong></td>
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</tr>
<tr>
<td>(Thousand) 2016</td>
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<td>77.879</td>
</tr>
<tr>
<td>2017</td>
<td>21.591</td>
<td>25.289</td>
<td>35.853</td>
<td>82.733</td>
</tr>
</tbody>
</table>

Source: The Department of Tourism and Commercial Marketing in Dubai and Dubai Statistics Centre
CHAPTER 4

Figure 4.7: The number of rooms and hotel apartments in Dubai (thousands)

Source: The Department of Tourism and Commercial Marketing in Dubai and Dubai Statistics Centre

Figure 4.8: Hotel Classification in Dubai 2017

Source: Dubai’s Department for Tourism and Commercial Marketing and Dubai Statistics Center

Figure 4.9: Average Daily Rates of Hotel Establishments in Dubai

Source: The Department of Tourism and Commercial Marketing in Dubai and Dubai’s Statistics Centre
Three key drivers will ensure sustainable tourism growth in Dubai and across the UAE. First and the most important is far-sighted government regulatory policies which have increased the inflow of tourists and 47 nationalities are now eligible for a visa on arrival for entry into the UAE, which has helped increase the number of visitors from China, India and Russia. Second, the government’s role in providing public sector and stimulating private sector infrastructure investment has played a key role in building top class inbound air, sea and road and also internal transport links facilitating travel into and across the UAE. Thirdly, destination planning and marketing to provide and promote an integrated entertainment and retail destination is a key factor in attracting visitors. Dubai offers a wide selection of hotels, many retail malls and restaurant outlets, theme parks and leisure attractions providing choice. The Dubai Department of Tourism and Commerce Marketing (DTCM) has also attracted numerous touristic events, festivals and activities which have raised the demand of foreign tourists to visit. In this vein it is expected that Dubai’s hosting Expo 2020 will give a powerful stimulus to the tourism sector.

There are however, challenges which need addressing. For its investments in the sector to be viable Dubai needs to maintain a high growth of visitors to the emirate in the coming decade by filling expensive hotels and leisure venues. Dubai needs to raise the length of stay per visitor and the number of source countries, but it needs to strive to establish a tourism industry that is economically and environmentally sustainable. Tourism has an economic impact far beyond the revenues of hotels and restaurants. Visitors spend money in the retail sector and at events, but rising numbers of tourists also has implications for transport and for water and electricity usage. Finally, an expanding sector will impact on both the number of workers employed in the sector, but on their skills. Already the hotel sector is increasing the number of Mandarin speakers employed to cater to the rising numbers of Chinese visitors.

Dubai has a strong commitment to sustainability and the government supports the United Nations Sustainable Development Goals (SDGs), a global strategy for achieving economic growth consistent with the planet’s capacities, society’s basic needs and priorities, and the capabilities and stability of the economy. In Dubai a large part of tourist sector sustainability is dependent on the activities and investments of the Dubai Electricity and Water Authority (DEWA), the government owned utility, which owns, operates and maintains power stations and desalination plants, aquifers, power and water transmission lines and power and water distribution networks. The government of Dubai has focused on reducing the demand for resources, while increasing the supply of clean energy. Dubai’s Demand Side Management Strategy aims to reduce energy and water demand by 30 per cent by 2030 while the Dubai Carbon Abatement Strategy to reduce carbon emissions by 16 percent by 2021.7

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7 DEWA Sustainability Report 2017.
Sustainable tourism is based on the recognition that the expansion of global tourism has both positive and negative effects such as on the environment. It has been estimated that tourism’s share of worldwide greenhouse gas emissions has been about 5 per cent and is expected to grow in the coming years. The carbon footprint generated by tourism stems from a rising national demand for transport, electricity and water resources, but tourism can also lead to a depreciation of the quality of the natural, cultural and other assets attracting visitors. Short-term gains realised by raising the number of annual visitors lead to longer-term losses as congestion, poor air quality and accommodation shortages depress a destination’s future tourist potential. The trade-off for many countries relying on an expansion in numbers rather than an increase in the premium attached to the relative scarcity of the tourist assets driving visitor demand depends on the renewability of all of the assets used to generate sustainably rising tourist income.

Countries where tourism contributes significantly to GDP need to focus on adopting sustainability policies. According to the United Nations World Tourism Organization (UNWTO), sustainable tourism consists of:

- The optimal use of environmental resources in tourism development in ways which conserve natural heritage and bio-diversity;
- Respect for the socio-cultural heritage and traditional values of host communities;
- Contribution to the long-term economic viability of tourism operations and the local industries that support them, providing socio-economic benefits to all stakeholders.

DEWA is investing AED 4.26 billion in electricity and water infrastructure projects to ensure energy used during Expo 2020 will come from renewable sources.

Thailand’s Experience

In Thailand, the importance of sustainable tourism has been recognised for decades. Tourism represents a significant proportion of Thailand’s economy and has been a driver of growth. The WTCC places its direct contribution alone to GDP at around 9.7 percent in 2017, well above the global average and over twice the comparable figure for Dubai. Thailand’s capital, Bangkok, was ranked first in terms of global destinations by Mastercard in 2016 with 21.5 million visitors, an increase of 9.6 percent over the previous year. The industry’s growth in Thailand has been driven by a combined effort of both the private and public sectors guided since 1979 by a co-ordinating organisation, the Tourism Thailand Authority (TAT) which is subject to central control by the Ministry of Tourism and Sport.

Thailand has been a world leader in sustainable tourism. Thailand’s key tourist attractions depend on maintaining a relatively unspoilt natural environment: clean white sandy beaches; a diverse and vibrant marine habitat and densely forested jungle areas teeming with animal and plant species. TAT has intensely promoted these natural assets under its slogan “Amazing Thailand” and in order to ensure the long-term viability of tourism, Thailand has embarked on many initiatives including promoting efficiency in energy and water use to habitat conservation. In 2016, the government closed Koh Tachai Island indefinitely because rising tourist numbers had led to physical degradation.

Costa Rica’s Experience

Encouraging community involvement through incentives and education has also made Costa Rica a leading destination for eco-tourists. The country has integrated educational, economic and social sustainability aspects into the tourism industry by striving for conservation and community development, particularly in rural areas. For over two decades the government has invested in infrastructure for educational programs by establishing the Certification for Sustainable Tourism (CST) program. This consists of external auditor teams that assess hotel performance to ensure that a property meets the criteria of environmental management. In 2005, Costa Rica extended the program requiring tour operators to only use hotels that obtained the CST.

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Global Tourism Sustainability Index (SDI)

Sustainability can be assessed nationally, regionally, or locally, right down to the individual resort and there is a vast diversity of standards that businesses can choose to adopt and follow in order to earn labels or awards to attract green tourists. There is an increasing number of initiatives in sustainable tourism across the world at all these levels, but at the national level the EIU Sustainable Development Index (SDI) ranks countries by those factors deemed important as building blocks for sustainable tourism development. These factors are ranked and weighted to compose the overall country index based on country scores for government policy and regulation, for environmental, socio-cultural and economic sustainability and finally for the size of the tourist sector relative to GDP.

The global SDI country ranking for 2018, shown in Figure 4.10, was based on an analysis of only ten countries, but it showed that European countries led the index with France, Germany and the UK in the top three positions and leading in most domains. Of the 10 countries included in the index, only France and Germany have taken concerted and sustained action at the national level to develop policy, set targets and monitor results. France’s national tourism policy scored 96.0 in this domain, well above Germany with 77.5 and the average value of 43.8. France specifically stipulates goals to be met in areas such as carrying capacity for territories and sustainable forms of tourist transport. Germany undertakes mandatory environmental impact assessments which aim to reduce energy, water and greenhouse gas emissions.

Across the world many countries have either no policy or suffer from severe stakeholder coordination problems which hamper sustainable tourism. In the EIU ranking in Figure 4.10, India, Brazil, China, Indonesia and Egypt ranked well below the world’s developed countries in all categories. They scored poorly in formulating policy, in adherence to recognised standards and in encouraging enterprises to reduce environmental footprints. These countries were less able to co-ordinate efforts with Non-Governmental Organisations (NGOs) and the short-term pressures of the private sector in order to protect the cultural, natural and historical assets that attract visitors.

Figure 4.10: Sustainability Development Index Scores 2017

Source: EIU 2018
Conclusion & Policy Recommendations

4.34 Dubai’s government has targeted tourism as a significant development sector because of long-term sustainable growth potential, but it is also important a means of diversifying the UAE’s economy away from energy production. Sustainability for the UAE as a whole will require a balance of economic activities including tourism across the nation while the industry and the resources it consumes moves towards renewable sources of electricity generation and the production of water.

4.35 There are a number of lessons that can be learned from international best practice to ensure that tourism is sustainable in Dubai. Foremost, tourism, to be a successful and sustainable contributor to economic growth, requires a powerful national coordinating and planning body with the policy of promoting the industry under state control or direction. In Dubai, tourism’s development is directed, planned and coordinated by the DTCM while the infrastructure to supply water and power sustainably is managed by DEWA, an independent authority regulated by the Dubai Supreme Council of Energy. Dubai has been able to promote and support sustainable tourism through the existence of these state controlled central bodies with long-term planning horizons.

4.36 International experience shows frequently that problems occur when there is a lack of coordination between stakeholders. Within the GCC region and across the UAE countries have similar climates and natural resources so attracting international tourists will require specialisation to offer localised activities and services. This requires coordination between national tourist policies based on country-specific comparative rather than competitive advantages in order to plan for sustainable tourism in a pre- and post-oil era.

For example, the UAE will benefit from efforts to build and develop a common inter-emirates tourism strategy for the AbuDhabi-Dubai-Sharjah-Ras Al-Khaima or RAK corridor. Already each emirate is increasingly specialising in its attractions. Abu Dhabi’s hosting of the Louvre and the Guggenheim museums is part of its ambition becoming a major international cultural tourist hub in the Middle East and the subcontinent. Sharjah, in contrast, emphasizes friendly Islamic (halal/family) tourism and is attractive to visitors from other Islamic states outside of the GCC. The emirate opened the Museum of Islamic Civilisation in 2008. Sustainability is right at the heart of the tourism strategy of the relatively undeveloped emirate of Ras Al-Khaima, only 45 minutes away from Dubai with its natural assets of mountains, sea and desert. The emirate is specialising in offering visitors an authentic experience of Arabian culture. The UAE’s separate emirates can all benefit in medium-longer term if a complementary rather than a competitive or uncoordinated tourism strategy is implemented.

4.37 Countries scored highly on the EIU index of sustainability based on their ability to develop and implement policy through targets and results according to best international practices of reliability, efficiency and safety and establish effective and reliable service performance measures. DEWA reports on its sustainability performance in accordance with the Global Reporting Initiative (GRI) Standards. At the top level DEWA launched its Carbon Dioxide Emission Reduction Programme in 2012, which creates a roadmap for short, medium and long-term emission reduction actions up to 2030. DEWA has recorded a reduction of 43.9 million tons of CO2 emissions in Dubai between 2007 and 2017.

In terms of its supply of energy and water, DEWA has implemented targets to improve energy efficiency on both supply and demand and is achieving globally respectable results.
4.38 Sustainability involves balancing the growth in the demand by tourists and the supply of the resources: hotels, electricity, water and the natural and cultural assets which attract them. Dubai has taken important steps to ensure tourism is sustainable in the emirate in the long-term, but the sector faces a short-term challenge in preparing to meet the six months impact and later legacy from hosting of Expo 2020. DEWA is investing AED 4.26 billion in electricity and water infrastructure projects to support Expo 2020 and as the official Sustainable Energy Partner for EXPO, it is ensuring that all of the energy used during Expo 2020 will come from renewable sources.

4.39 Some concerns have been raised about a future oversupply of accommodation after Dubai has reached its 2020 target of 20 million visitors. The government of Dubai has recently established “the Higher Committee for Dubai Urban Planning” an Urban Planning Body headed by the Municipality of Dubai to oversee and regulate the emirate’s overall urban growth including housing and hotels and hotel apartments. This is in response to signals that that there could be a glut of hotels (3-4-5 star) and housing units on the market as a result of Expo 2020 creating a major risk factor of a post-Expo real estate recession especially in the emirate’s hotels segment.

4.40 In conclusion, sustainable tourism development requires the existence of a strong national authority to plan and coordinate long-term strategies. This body must promote tourism demand in coordination with the private sector, to ensure the supply of a sustainable tourist infrastructure in terms of accommodation, trained employees and other resources such as power, water and transport. Furthermore, it must identify stresses threatening the integrity of the natural and cultural assets which attract tourists and the power to preserve them. Targets to promote sustainability must be set and regularly monitored in terms of performance for all entities involved in the industry.

4.41 Finally, sustainable tourist policies need to involve and engage the support of local communities and businesses. Community and private sector involvement can be made through systems of incentives, certification and education programs which will align the economic interests of locals and residents of both genders with the long-term development of a sustainable tourist sector.

To safeguard against a future oversupply of accommodation, the Municipality of Dubai is overseeing the emirate’s overall urban growth including housing and hotels and hotel apartments.