

The Cultural Economics of the United Arab Emirates: When Dark Money Buys Shiny Art

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Abstract. *The United Arab Emirates (UAE) has undergone a significant transformation in recent years, shifting from a traditional oil-based economy to a more diversified, knowledge-based one that incorporates cultural and creative industries. In addition to diversification, the country has also been at the forefront of technological progress, making it a leader in the Middle East in terms of innovation and entrepreneurship. This paper aims to examine the cultural economic phenomena related to this country, exploring the challenges and opportunities that it faces as it navigates the transition to an emerging economy. Nevertheless, it will draw on case studies from the region, providing insights into the impact of cultural and creative industries on the wider economy and highlighting the key lessons that can be learned from the UAE experience. Overall, this article will contribute to the academic literature on the matter of cultural economics in the Middle Eastern, Arab world, providing an incremental contribution to the field of international cultural economics and to the broader discussion of what contributes to a successful transition to the status of an emerging economy. The findings of this research are intended to inform decisions from policy makers, investors, and scholars in the fields of cultural economics and international economics, as well as to anyone interested in the future of the cultural and creative industries in the United Arab Emirates, as well as the wider Middle East region.*

Keywords: cultural and creative industries, innovation, tourism, macroeconomics, sustainability, resilience, United Arab Emirates, Middle East

Introduction

In recent years, the United Arab Emirates (UAE) has emerged as a leader in cultural economics, with a focus on promoting the country as a hub for art, culture, and heritage by exploiting some of the latest trends in global economics (Jora et al. 2018a; 2018b). The UAE has launched a number of initiatives aimed at attracting tourists, artists, and cultural organizations, establishing itself as a major player in the global arts and culture scene by setting up the image of a place that fosters innovation.

This essay will discuss how the UAE's economy has diversified its technological progresses, highlighting the government's initiatives that have contributed to the country's success in these areas by enquiring about the impact of the cultural economy on the transition to the new economy in the UAE and how does it compare to other Middle Eastern countries, especially Lebanon. For instance, the political environment in Lebanon, characterized by instability and unrest, has negatively impacted the development of the cultural economy, and hindered the country's ability to fully realize its potential for contributing to the transition to the new economy.

The research is the result of the assumption that even though cultural economy has played a role in the UAE's transition to the new economy, its impact has been limited by the dominance of the oil and gas industry. The country has invested heavily in the development of its cultural economy, which has enabled it to attract tourists from different parts of the world. One of the key

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drivers of the cultural economy in the UAE is the government's commitment to developing the sector. The government has invested in the development of infrastructure such as museums, theaters, and cultural centers. It has also established policies and regulations that promote the growth of the cultural economy.

This essay will discuss how the UAE's economy has diversified its technological progress, highlighting the government's initiatives that have contributed to the country's success in these areas.

Literature review

UAE's transition to the "new economy"

In order to discuss the case study of the UAE, it is essential to first define the concept of the "new economy". The new economy refers to the shift from a traditional manufacturing-based economy to a more technology-driven, knowledge-based economy. This transition is characterized by the increased importance of "intellectual property, innovation, and information technology" (Kshetri, 2014).

The emergence of the "4.0 technological revolution" has further accelerated this transition, with "the integration of digital, physical, and biological systems" (Schwab, 2017). This revolution is driven by key technologies such as "artificial intelligence, the Internet of Things (IoT), big data, and robotics" (Schwab, 2017). These trends are fundamentally changing the way we live and work, as well as transforming the way businesses operate and creating new opportunities for economic growth.

UAE's routes of economic development

Over the past few decades, the UAE has diversified its economy away from its reliance on oil and gas. "The opening of the Louvre Abu Dhabi museum, for example, has boosted the country's cultural tourism and has attracted a significant number of tourists" (France-Muséums, 2017).

In addition to diversification, the UAE has also made significant strides in technological progress, making it a leader in the Middle East in terms of innovation and entrepreneurship. "The government's focus on technology and innovation has been a driving force behind the country's success in this area. The UAE ranks 34th globally in innovation, according to the Global Innovation Index 2021" (World Intellectual Property Organization, 2022). This is primarily due to government initiatives such as Dubai Future Accelerators, the Dubai Future Foundation, and the Dubai Innovation Index, all of which aim to foster an environment conducive to innovation and entrepreneurship. Furthermore, the country's investment in renewable energy has allowed it to become a leader in this field, with projects such as Masdar City, a fully sustainable city powered entirely by renewable energy.

The UAE's government has played a vital role in the development of the cultural economy, investing in "infrastructure and policies that promote its growth" (Ministry of Economy, 2018). According to the Ministry of Economy, the contribution of the cultural sector to the country's GDP was 3.3% in 2018, with the sector employing over 60,000 people.

In addition to the development of museums and cultural attractions, the UAE has also invested in the promotion of its cultural heritage and traditions. The country has launched a range of initiatives aimed at preserving its cultural heritage and promoting its traditions, such as traditional markets, festivals, and cultural events. This has helped to position the UAE as a destination for cultural tourism, attracting visitors interested in exploring the country's rich history and traditions.

UAE's backbone of public investment

One way that the UAE invests in reforms is through the creation of sovereign wealth funds. These funds are essentially state-owned investment vehicles that are funded by the government's oil and gas revenues. The funds are used to diversify the country's economy and to invest in sustainable projects that support the UAE's economic, social, and environmental goals. The reigning family has "established several sovereign wealth funds, such as the Abu Dhabi Investment Authority (ADIA), the Mubadala Investment Company, and the Abu Dhabi Investment Council" (Al-Mahrooqi, 2016). These funds have invested in various sectors, such as renewable energy, infrastructure, and technology, which align with the country's long-term economic diversification and sustainability goals.

Furthermore, the country has also implemented several policies and initiatives to encourage sustainable development. For instance, "the country has implemented a carbon capture and storage (CCS) project to reduce greenhouse gas emissions from its oil and gas industry" (Garg, 2021). Additionally, "the UAE has set ambitious renewable energy targets, such as generating 50% of its energy from renewable sources by 2050" (Al-Saadi, 2020).

The UAE is taking steps to mitigate the negative impact of its oil and gas industry on the environment and society by investing in various environmental and social reforms. The country is using its oil and gas revenues to fund sovereign wealth funds and to implement policies and initiatives that promote sustainable development. This approach is critical to ensuring the long-term economic, social, and environmental sustainability of the UAE.

UAE's National Investment Corporation

For instance, the National Investment Corporation (NIC) was established to support economic diversification and development. The NIC serves as a vehicle to provide funding for strategic and innovative projects that contribute to the country's economic growth, with capital mainly coming from the oil industry. The Corporation is aimed at boosting the competitiveness of the UAE's non-oil economy, promoting innovation and entrepreneurship, and attracting foreign investments to the country. This type of strategic investment is similar to Norway's Federal Wealth Corporation investing in green energy and supporting public expenditures.

The NIC is a government-owned investment fund that was established in 2011 to invest in strategic sectors of the UAE's economy, such as infrastructure, real estate, and technology. The NIC is managed by the Abu Dhabi Investment Council, which is in charge of managing the fund's portfolio and investment strategy. The fund aims to generate appealing returns for its investors over the long term while also advancing the expansion and improvement of the UAE's economy.

The NIC has been successful in financing a range of projects across various sectors such as healthcare, technology, culture and renewable energy, demonstrating the country's commitment to diversifying its economy and ensuring sustainable growth. The country has shifted towards services, tourism, and non-oil exports, and has been investing in the tourism industry to attract a significant number of tourists.

Methodology

To investigate the transition to the new economy in the UAE, a quantitative research approach can be employed. This would involve using various quantitative data collection methods to gain a comprehensive understanding of the topic.

Firstly, a review of existing literature on the topic of “new economy” and 4.0 technological revolution would be conducted, with a particular focus on studies that have examined the UAE case on the matter of “sustainable development” (Al-Tamimi, 2018). This would involve using academic databases such as Google Scholar, Web of Science, and Scopus. The search terms used would include “new economy UAE”, “4.0 technological revolution UAE”, and “economic development UAE”. Secondly, quantitative data can be gathered through the analysis of relevant development indices such as the Global Innovation Index (GII), the Networked Readiness Index (NRI), and the Human Development Index (HDI) (Dutta, 2019). These indices can provide insights into the UAE’s performance in terms of innovation, technology readiness, and human development. The results can provide valuable insights into the challenges and opportunities presented by the transition to the new economy.

On the other hand, the present study shows some limitations caused by this unidirectional approach. Also, this article highlights the major trends in the UAE regarding the transition to a knowledge-based economy, it cannot offer a deep insight into the specificities of each sector that is touched by the public policies that are implemented. To fully understand this transition and its impact on the cultural and creative industries, both quantitative and qualitative research methods should be employed. While quantitative data can provide valuable insights into the overall performance and trends of the sector, the addition of qualitative research methods such as case studies and interviews can offer a more comprehensive understanding of the policies that are implemented and the results of the sustainable development measures that the UAE are deploying.

Results and discussions

Cultural economy, the UAE’s way: industrial/sectoral diversification, creative jobs creation and international rebranding

The UAE’s success in diversifying its economy and making significant strides in technological progress is a result of the government’s focus on these areas. The UAE is a country with a diverse economy, but it was heavily reliant on its oil and gas industry. Despite the economic benefits of the oil industry, the UAE was aware of the risk of not diversifying various industries and sectors. Therefore, the sheiks had taken several initiatives to mitigate the negative impact of this industry by investing in various environmental and social reforms.

The cultural economy’s contribution to the country’s GDP has steadily increased over the years, with the number of tourists visiting the country also rising. According to the Department of Tourism and Commerce Marketing, the UAE welcomed 16.7 million tourists in 2019, up from 15.9 million in 2018. The tourism industry “generated AED 86.4 billion in 2019, accounting for 11.5% of the country’s GDP” (Department of Tourism and Commerce Marketing, 2020). The service sector, which includes tourism, has been the largest contributor to the UAE’s economy since 2017, according to the Ministry of Economy.

The UAE’s cultural economy has had several positive impacts on the country’s transition to the new economy.

- Firstly, it has enabled the country to diversify its economy, reducing its reliance on oil and gas revenues. The cultural economy has created new revenue streams for the country, which has helped to stabilize its economy.

- Secondly, the cultural economy has created numerous job opportunities for the country's citizens and expatriates. The government has invested in the training and development of local talent, creating a skilled workforce that can work in various sectors of the economy.
- Thirdly, the development of the cultural economy has promoted the UAE's image on the international stage. The country has been able to showcase its cultural heritage and diversity, attracting tourists from different parts of the world. The promotion of the country's image has also enabled it to attract foreign investment, which has helped to boost its economy.

Cultural economy, the UAE's way: Lebanon's (counter)example

In comparison, Lebanon is a country in the Middle East that has also invested in the development of its cultural economy. The country has a rich cultural heritage, which has enabled it to attract tourists from different parts of the world. However, Lebanon's cultural economy has not been as successful as that of the UAE.

One of the primary reasons for this is the lack of government support for the cultural economy. Unlike the UAE, Lebanon's government has not invested significantly in the development of infrastructure and policies that promote the growth of the cultural economy. "The lack of government support has made it difficult for the sector to reach its full potential" (Obeidat, 2018).

The political and economic instability in Lebanon is another factor that has hindered the growth of the country's cultural economy. Lebanon has experienced several political and economic crises, which have had a negative impact on the growth of the cultural economy. "The instability has made it difficult for the sector to attract foreign investment and tourists" (Diab, 2019).

Moreover, Lebanon has also been facing an ongoing economic crisis, with a significant depreciation of the Lebanese pound and a high unemployment rate. This crisis has impacted the cultural economy, as "artists and cultural practitioners are struggling to find funding and support for their work" (Jazeera, 2021).

Lebanon's experience with the cultural economy highlights the importance of government support and stability in promoting the growth of the sector.

Cultural economy, the UAE's way: the Louvre, from the Seine to the Gulf

The establishment of museums and cultural attractions, such as the Louvre Abu Dhabi Museum, has been a prominent project in the UAE's cultural economy plan. "The opening of the Louvre Abu Dhabi in 2017 marked a significant milestone in the country's cultural development, with the museum attracting visitors from around the world. This museum, along with other cultural attractions like the Manarat Al Saadiyat, has contributed to the growth of the country's tourism industry, with the number of visitors to the UAE increasing year on year" (Abbas, 2017).

The UAE's cultural economics strategy has also had a positive impact on the country's employment and education sectors. The construction of museums and cultural attractions has resulted in the creation of new career possibilities spanning from tour guides to curators, as well as opportunities for professional growth in disciplines such as arts and culture. "Additionally, the UAE has implemented education initiatives aimed at fostering a culture of creativity and innovation, with a focus on developing the skills required to participate in the new economy" (Zeinaddine, 2017).

The UAE's cultural economics approach has also benefited the country's brand and image, owing to its emphasis on sustainability. Corporate social responsibility (CSR) policies have

emerged as an essential component of long-term economic success. By incorporating social, environmental, and economic issues into decision-making processes, CSR helps states and firms to balance their interests with those of stakeholders such as workers, shareholders, and the broader community. “The adoption of CSR practices has become increasingly important for businesses to remain competitive, as customers and other stakeholders increasingly demand evidence of successful implementation. This indicates that effective CSR strategies can provide businesses with a source of competitive advantage by improving brand image, increasing customer loyalty, and reducing regulatory risk” (Zhu, 2013).

The government has used cultural activities to boost its reputation and improve its image on the world stage. For example, “the establishment of the Louvre Abu Dhabi Museum has positioned the UAE as a leader in the arts and culture scene, contributing to the country’s reputation as a hub for creativity and innovation” (Zaretsky, 2017).

Cultural economy, the UAE’s way: ethical conundrums

Lately, there has been a growing trend in the business world towards investing in sustainable policies and technologies. One way that certain states have been funding these efforts is through investments from profits earned in polluting industries. While this technique appears to be a win-win situation, when we investigate the underlying assumptions and ramifications of this economic model, ethical concerns arise.

To begin, we must address the morality of benefiting from activities that degrade the environment and potentially endanger people’s and other living beings’ health and well-being. By using the profits of polluting industries to fund sustainable technologies, are we not simply perpetuating a cycle of destruction and exploitation, albeit in a slightly different form? Is it right to prioritize profit over the ethical and environmental consequences of our actions?

Moreover, we must also examine the fairness of the competitive advantage gained by countries that have profited from polluting industries. While it is true that investing in sustainable technologies can lead to financial benefits and wellbeing of the people, the countries that are able to make these investments are often the same ones that have previously profited from harmful industries. This creates an uneven playing field, where private and public entities that have done more harm in the past are now able to gain an advantage in the market, potentially at the expense of their more ethical counterparts.

Furthermore, we must consider the social and political implications of this economic model. Allowing governments and corporations to benefit from polluting sectors may give the message that such actions are acceptable, if not required, for economic progress. This can foster a culture of apathy and normality surrounding environmental degradation, exacerbating the situation.

Additionally, the fact that investments in sustainable technologies are often only possible through profits earned in polluting industries highlights the limitations of the current economic system, where the drive for profit often takes precedence over the need for sustainable and ethical practices.

While the idea of using profits from polluting industries to fund sustainable technologies may seem like a step in the right direction, it is important to question the underlying assumptions and ethical implications of this economic model. We must consider the morality of profiting from harmful activities, the fairness of the competitive advantage gained, and the social and political implications of perpetuating a cycle of environmental destruction. Ultimately, we need to reevaluate our values and priorities as a society to ensure that our economic practices align with our ethical and environmental responsibilities.

Speaking about ways in which values and emotions are manipulated at a state level for enmeshing soft power, it is worth noting that the theme of “sportswashing” has gained increased attention in recent years, especially in relation to the Middle East. Academic studies such as Paddy Hoey’s analysis of Qatar’s “sports diplomacy” (Hoey, 2021) and Simon Chadwick’s exploration of “the role of sport in the UAE’s soft power strategy” (Chadwick, 2018) provide valuable insights into this subject and can be used as a starting point to further dive in the subject. However, while initiatives such as the investment in Manchester City football club and hosting the men’s world cup are notable examples of these strategies, they do not necessarily reflect the overall impact of “sportswashing” on the region’s economy and overall reputation.

Therefore, future research should aim to provide a more comprehensive understanding of the different phenomena that are occurring in the area, taking into account different sectors, perspectives and contexts.

Conclusion

It is apparent that the UAE’s cultural economics have aided the country’s transition to the modern economy. The growth of museums and cultural attractions has contributed to the diversification of the country’s economy, lessening its reliance on oil and gas. Furthermore, the expansion of the tourist sector has contributed to the country’s economic prosperity by creating new sources of revenue and job possibilities. “The promotion of the UAE’s cultural heritage and traditions has also helped to establish the country as a hub for cultural tourism, attracting visitors interested in exploring its rich history and traditions” (World Travel & Tourism Council, 2018).

In conclusion, the cultural economics in the UAE has had a significant impact on the country’s transition to the new economy. The development of museums and cultural attractions, along with the promotion of the country’s cultural heritage and traditions, has helped to diversify the country’s economy and improve its reputation and image on the global stage. The UAE’s cultural economics strategy serves as a model for other countries looking to promote their own cultural assets and transition to the new economy.

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