Keeping Gulf Capital at Home: Economic vs Lifestyle Expats
by Abbas Al Lawati

How Dubai has successfully attracted expatriates who spend rather than remit their incomes in the UAE

World Bank figures show that a whopping $60 billion in Arab Gulf states' resources leave the region in the form of expatriate remittances on an annual basis, accounting for almost 12 percent of global remittance flows.

The remittance quandary

The strain of remittances on Gulf states' economies is in fact so significant that four of the six states—Oman, Kuwait, Bahrain and Saudi Arabia—rank among the world's top 10 countries with the largest proportion of their GDP in remittances.

The migrant-remittance relationship with India is particularly strong. Almost half of the remittances from Gulf states goes to India, and Gulf states are the source of almost half of the remittances coming into the vast country, accounting for just under 2 percent of India's GDP. This can be attributed to the fact that Gulf states, particularly the UAE and Saudi Arabia, are the first and third most popular destinations, respectively, for Indian migrants.

Indians are, however, not the only large expatriate groups in the Gulf. Bangladesh, Pakistan and Egypt also rely heavily on Gulf states as a source of remittance funds as well as employment for their citizens.

Expatriate populations today constitute a solid majority in four of the six member states, and a large proportion of the population in the remaining two—Oman and Saudi Arabia.

Saudi Arabia is among the top five destinations for migrants globally, and the second largest source of remittances following the United States. Kuwait, Qatar, and the UAE meanwhile top the list of countries whose populations are eclipsed by expatriate majorities.

This phenomenon has its roots in the start of the oil boom in each of the six countries. Millions of foreign guest workers were brought in to fill a skills vacuum, promised by lucrative tax-free jobs, strong currencies and a relatively low cost of living. The mutual dependence relationship grew stronger with time and the more the population of these economic migrants grew, the more Gulf states' economies bled liquidity.

Lifestyle migrants

One place that has, however, slowed the flight of capital is the Emirate of Dubai. A regional maverick, the city is often seen as a testing ground for socioeconomic policies that are often replicated in neighbouring states.

Dubai was the first emirate to attract a different kind of migrant: one that is likely to move to the city to spend rather than to save or transfer money home. The emirate introduced freehold property ownership for foreigners, giving long term expats an opportunity to finally put down roots in the city, and pump their income back into it. That was complemented with the building of world class infrastructure, a service industry that can compete with those of developed countries, and monuments that serve as icons of the city's prestige. This new type of migrant, the lifestyle migrant, takes pride in spending a large proportion of his or her income to pay for an apartment with a view of the tallest tower in the world, a manmade island, or a hotel that floats on a reclaimed island.

Statistics from the Dubai government show that the "Western" resident of the city is likely to spend the biggest portion of his or her income on rent. The 2009 census, the latest one conducted, showed that the average household income for Westerners is the highest among all expatriate groups, and more than double that of Asian expats. Almost half of a Western households' annual expenditure goes into the rent, fuel and energy category, more than any other group, including the citizen population. Westerners are also the group that spends the largest proportion of its income on domestic consumption.

But while Westerners may be the ideal lifestyle migrants, statistics show that a number of wealthy Arabs and South Asians are also choosing to make the city home for reasons of lifestyle. Along with Britons, Pakistanis and Indians remain the top expatriate property buyers in Dubai. Together, these three communities invested almost $9.5 billion (Dh35 billion) in 2014. Dubai's impressive achievements in keeping its capital at home may make economic sense and be envied by neighboring states. But it also presents a sociopolitical dilemma that will eventually need addressing.

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Lost in this process of balancing one set of expats with another is the ever-shrinking citizen community. Dubai's unofficial motto of 'build it and they will come' refers specifically to expatriates, particularly those who are becoming increasingly comfortable with long term residence in the emirate. To these lifestyle expatriates, the concept of guest worker is all but alien. Issues of permanent residency, inheritance rights and possibly those of naturalization are therefore almost guaranteed to arise in the coming years. It is such considerations that neighboring states may need to ponder before embarking on such an economically sound, but politically and socially risky endeavor.

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