

ALFRED NOBEL UNIVERSITY
DEPARTMENT OF GLOBAL ECONOMICS

Bachelor's Thesis

Development and ways of implementation of international investment project

«New restaurant in Dubai»

Student: Daria Katsay

Group: MEV-17a

Specialty: 292 International economic relations

Supervisor: Mahdich A.S., Ph.D. in Economics

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**ALFRED NOBEL UNIVERSITY
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**The Bachelor's Thesis
Assignment**

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Chapter 2. Foreign economic activity of UAE

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Abstract

Katsay D.V. Development and ways of implementation of international investment project «New restaurant in Dubai»

The paper examines the current state and development trends of the UAE economy over the past fifteen years. It was revealed that the United Arab Emirates is one of the most successful countries of the Persian Gulf, demonstrating high rates of economic dynamics and success in international economic relations. The UAE is a country with an excellent climate and political situation, these factors have a positive effect on investment policy and attract many investors. The international investment project to open a restaurant in Dubai was developed at the expense of an investor from Ukraine. Calculations of the need for investment resources are presented, the organizational and legal form of the enterprise being created is substantiated, as well as calculations of the main indicators that made it possible to assess the investment attractiveness of the proposed project.

Keywords: labour migration, investment climate of UAE, NPV, payback period of the investment project.

Анотація

Кацай Д.В. Розробка та шляхи реалізації міжнародного інвестиційного проекту «Новий ресторан у Дубаї»

У роботі досліджується поточний стан і тенденції розвитку економіки ОАЕ за останні п'ятнадцять років. Виявлено, що Об'єднані Арабські Емірати - одна з найуспішніших країн Перської затоки, що демонструє високі темпи економічної динаміки і успіхи в міжнародних економічних відносинах. ОАЕ країна з прекрасним кліматом і політичної ситуації ці чинники позитивно впливають на інвестиційну політику і приваблюють багатьох інвесторів. Міжнародний інвестиційний проект по відкриттю ресторану в Дубаї розроблений за рахунок інвестора з України. Наведено розрахунки потреби в інвестиційних ресурсах, обґрунтована організаційно-правова форма створюваного підприємства, а також розрахунки основних показників, які дозволили оцінити інвестиційну привабливість пропонованого проекту.

Ключові слова: міграція робочої сили, інвестиційний клімат ОАЕ, NPV, термін окупності інвестиційного проекту.

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INTRODUCTION

Nowadays, the question of which country and business to choose for investment is becoming more and more acute for investors. In order for the business to be profitable, it is necessary to analyze in detail the state of the economy, the main trends, potential problems, the investment climate of the country and calculate the cost of the investment project. This topic is relevant, as every country in the world seeks to attract as many investors as possible, because it is an opportunity to develop the national economy. Therefore, it is important for the investor to know all the important details of doing business in the country in which he seeks to implement his project. This will help him be prepared for possible problems, minimize potential costs, assess the attractiveness and make the right decision on how to implement and maximize their profits.

The purpose of the study is to develop ways to implement an investment project, namely the opening of a restaurant in Dubai. Based on the goal, the paper formulates a number of necessary tasks to be solved:

1. to study the general state of the UAE economy over the past 15 years;
2. identify the main economic problems of the country;
3. consider the services and restaurant market of the UAE;
4. to analyze the export-import activity of the country and determine its role in international relations;
5. assess the investment climate of the country;
6. identify project ideas, volumes, forms and methods of investment in the UAE;
7. make basic calculations to assess the attractiveness of the investment project.

The object of the study is - the economic environment and investment climate of the UAE.

The subject of research - the development of an international investment project, namely - the opening of a restaurant in the UAE.

Office methods were chosen for the study, i.e. analysis based on secondary information provided in official resources.

The research was conducted using such scientific methods as analysis and classification, induction and deduction, statistical method, systems approach, tabular and graphical analysis.

Practical significance: research materials can be used in the development and implementation of an investment project in the UAE.

Approbation. The results of the study were published in the collection of abstracts of the XX International scientific-practical conference for young scientists and students "Transformation of economic systems and institutions in new geostrategic realities"

CHAPTER 1

UNITED ARAB EMIRATES ECONOMY: THE CURRENT SITUATION, DEVELOPMENT TRENDS AND MAJOR PROBLEMS

1.1 General characteristics of the development of the UAE economy over the last 15 years

Among the developing states of Asia, the countries of the Persian Gulf stand out, which during the life of one generation managed to achieve unique economic success, in terms of GDP per capita, some of them entered the top twenty countries in the world. Until the middle of the twentieth century, the economies of these countries were at an extremely low level, in a state of "medieval slumber." The discovery of the richest oil reserves, the oil factor entailed systemic consequences of the purchase of modern equipment, the influx of foreign specialists, the construction of roads, seaports and other infrastructure. Oil exports have created a national accumulation fund that has enabled these countries to embark on a variety of economic projects and fundamentally changed the well-being of the local population. UAE population is more than 10,000,000, moreover, 80% of people are immigrants from Europe and poor Asian countries, the country is known for breathtaking, luxury resorts, golden beaches, expensive cars and sand dunes. However, these are not the only factors that attract hundreds of thousands of international investors every year. Oil production in the United Arab Emirates, as well as strong growth in other industries, has made the country one of the largest economic powers in the Middle East. The United Arab Emirates is one of the leading states in the region. As a result of economic reforms, the UAE has become not only the export center of the world oil market, but also one of the world centers of capital and trade. The United Arab Emirates is an independent federal state, consisting of seven principalities, created on December 2, 1971. Before the discovery of oil, which took place in 1958 in Abu Dhabi, the traditional occupation of the population was cattle breeding and growing palm trees, fisheries, and the extraction and export of pearls, which later turned the Emirate of Dubai into a major trading center in the Middle East. The possibility of developing deposits (other than oil and gas) is being explored. Asbestos reserves are of industrial importance and are estimated at 800-1000 thousand tons, gypsum - 500-600 million tons.

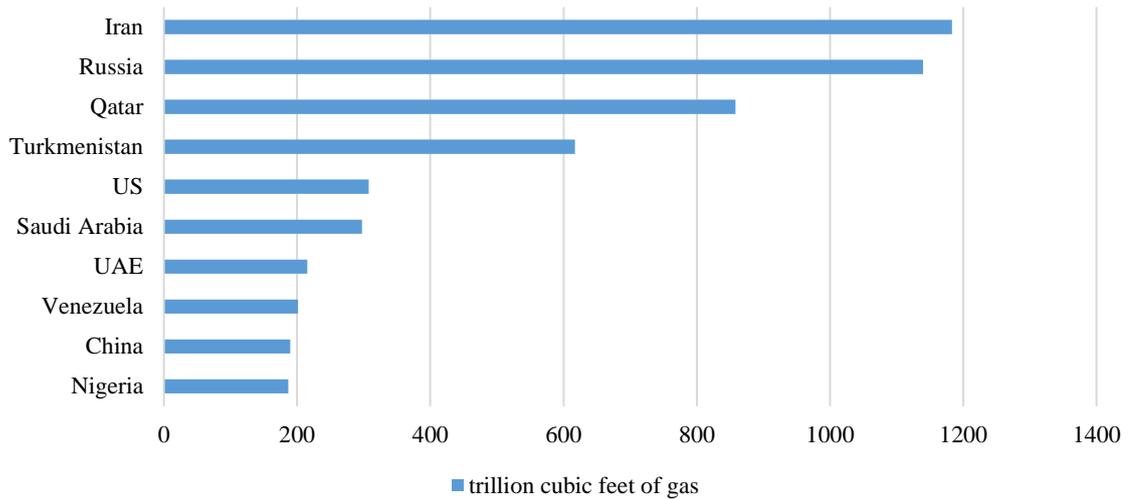


Fig 1.1 Top 10 countries with largest proved reserves (in trillion cubic feet of gas)

Source: (A global view of gas - in maps and charts | News and insights | Home, 2021)

The main natural resources of the UAE of world importance are oil and gas. Proved reserves are estimated at 97.8 billion tons of oil and 215.1 trillion cubic feet of gas - 5.6% and 3.3% of world reserves, respectively (Fig. 1.2) (UAE statistics, 2021), (SCAD, 2021).

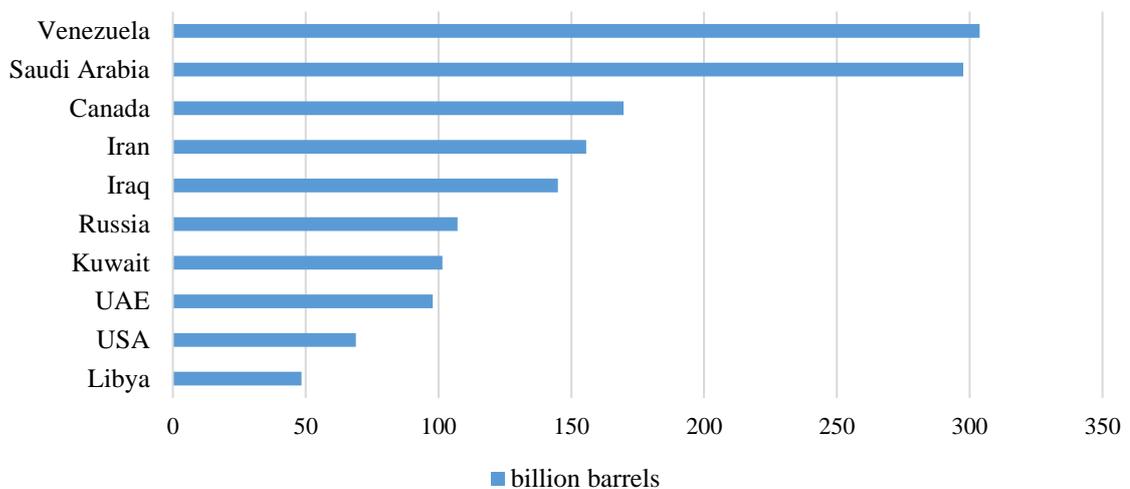


Fig. 1.2 The world's largest oil reserves by country

Source: (A global view of oil - in maps and charts | News and insights | Home, 2021)

The country has a fairly high level of income, but salaries depend on the level of qualifications of a foreign citizen. There is no minimum salary in this country. Therefore, wages are directly dependent on the employer. But as practice shows, even the lowest salaries in the UAE exceed the average salary in many countries of the European Union. If we consider the future perspective, the economic environment of the UAE looks even

better in a few years (even despite the current situation with quarantine, closed borders and covid-19), because the government strongly supports, develops and attracts investments in industries such as tourism, agricultural activities and real estate. Now in the estimated forecasts of the GDP of the Emirates for the next 5 years, it is said that the indicator should constantly grow. In 2020 - by 2.5%, and in 2021 - up to 2.7% due to business support. GDP is projected to peak in 2024 at \$ 482.17 billion. USA. The UAE economy is considered the third most stable in the Arab world just after such countries as Saudi Arabia and Egypt. In the UAE, GDP per capita in 2006 was \$ 41,097, in 2012 - \$ 40,976, in 2019 - \$ 43,103. The UAE is one of the most prosperous countries in the world if we speak about population well-being. In terms of development, it can be compared not only with East countries, but also with industrialized countries. In 2019, GDP per capita in Germany was \$ 46,465, in Italy \$ 33,228, and in the UAE \$ 43,103, and the country was ranked 29th in the world, ahead of England, Italy, Portugal, Korea and a number of other industrialized countries (Fig. 1.3) (UAE statistics, 2021), (UAE.Stat, 2021).

At the same time, there is no doubt that economic growth has been strongly influenced by the sustained rise in oil prices since the 1973 global economic crisis. At the beginning of the 21st century, oil was and remains one of the most important energy resources and an object of international trade. At the same time, one should not forget that the main economic problem is the unlimited desires and limited resources of the planet Earth. So oil is considered an exhaustible resource, and, like any exhaustible resource, it will eventually run out. According to the latest data, the world will completely use up almost all of the world's oil reserves in 40-50 years. The UAE ranks 5th in the world in terms of oil reserves. So that in 50 years the UAE will continue to remain one of the richest powers in the world, the state has begun to pursue a policy of diversifying the country's economy. And analyzing the economic policy of the UAE in the 21st century, we can conclude that the state leadership continues to give priority attention to the implementation of the course of economic diversification begun in the 1980s, the purpose of which is to reduce the dependence of the country's economy on the situation in the world oil market (Base.socioeco.org,2021)

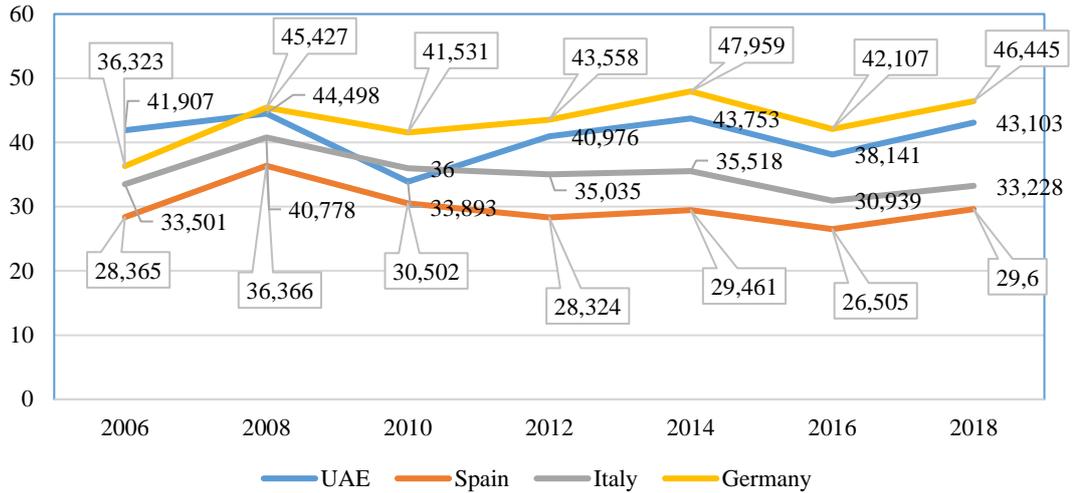


Fig. 1.3 GDP per capita (current US\$) - United Arab Emirates, Germany, Italy, Spain

Source: (GDP per capita (current US\$) - United Arab Emirates, Germany, Italy, Spain | Data, 2021)

The UAE's economic prosperity is based on oil and gas revenues, but other areas of activity have become increasingly important in recent years. In this regard, almost all the efforts of the state of the United Arab Emirates are focused on increasing attention to the development of the non-oil sector of the economy (industry, trade, banking and finance, tourism, construction, free economic zones, etc.).

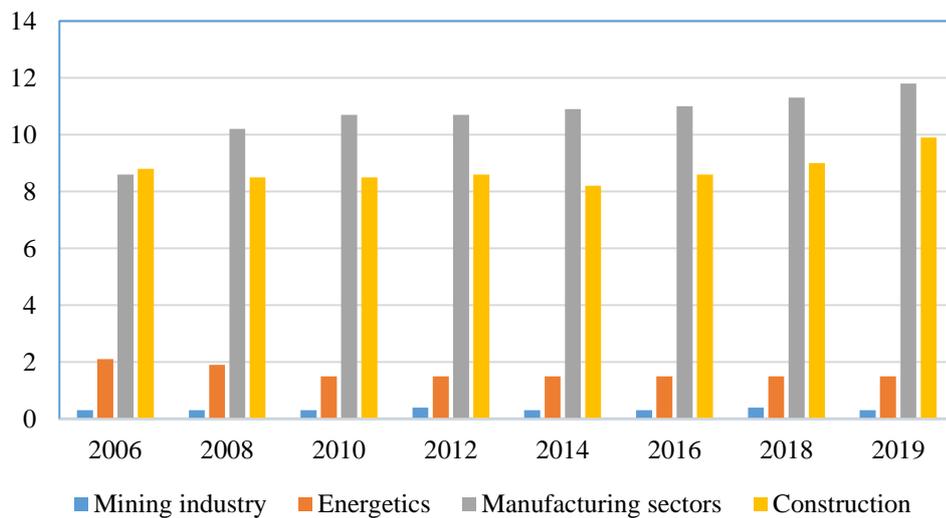


Fig.1.4 The share of industry in the structure of the UAE's GDP

Source: (United Arab Emirates - share of economic sectors in GDP 2019 | Statista, 2021)

Among other industries: energy (38.7 billion kW), water desalination (more than 900 thousand m³ per day), aluminum industry (about 370 thousand), Building materials industry, textiles, food (including fish processing), some types of shipbuilding, handicraft production, etc. For example, in the structure of industrial GDP, the largest share (11.9%) falls on the manufacturing industry, followed by construction - 9.9%. Due to the increase in the share of other industries, the share of energy in the GDP structure is decreasing every year (Fig. 1.4) (UAE statistics, 2021), (NSDP, 2021).

1.2 Structural shifts in the UAE economy at the present stage socio-economic development

Economic reforms aimed at restructuring the country's economy had a huge effect and this caused significant changes in the sectoral structure of the country's national economy. If before the beginning of the "oil era", the UAE was considered as a country with a very low level of economic development, productive forces, where the main spheres of the economy were pearl gathering, fishing and primitive trade, after the discovery of the richest oil resources. This industry has become an almost monoculture economic system. Therefore, the diversification of oil fields has become a key area and the main economic strategy of the UAE. Over the past years, dozens of reforms have been carried out in the country. It is also worth noting that not only a diversified industry was created in the country, but also massive structural changes took place in the service sector: finance, trade, transport, communications and the social sphere. The UAE has become one of the leaders in financial centers not only in the Middle East, but also in the global economy. As a result of the diversification policy until 2006, the sectoral structure of the economy was distributed, as shown in Fig. 1.5 (Statistics and databases, 2021).

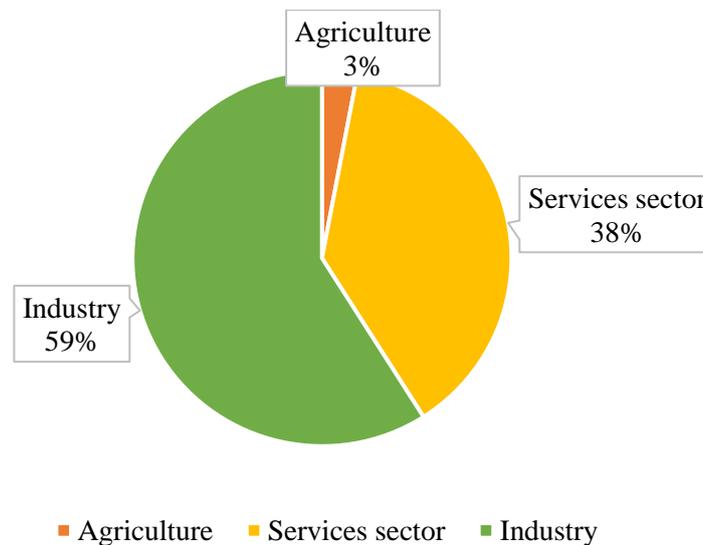


Fig.1.5 Sectoral structure of the UAE economy in 2006

Source: (United Arab Emirates 2020 | Statista, 2021)

As can be seen from these data, the leading place in the sectoral structure of the economy belonged to industry - 59.3%. If earlier, at the beginning of economic reforms in 1970, the share of industry was over 85% of GDP, with 90% accounted for by the oil industry, then by 2006 the share of industry as a result of diversification of industry and the creation of new sectors of the economy the share of industry fell. At the same time, within the industry, the main role still belonged to the oil and gas industry. The second place was occupied by the service sector, the proportion of which increased from 13% in 1970 to over 38% in 2006. In 2017, there were further shifts in the sectoral structure of the economy (Fig. 1.6). It follows from this figure that the share of industry, which for the last forty years has been the main structure-forming factor of the country's economy, has decreased from 59.6% to 46% of GDP. Service industry, which includes trade, finance, transport, communications, health care, education have become the main factor of the country's economic system. The share of the service sector accounted for more than half of the value of GDP in 2017. (World Bank Group - International Poverty, & Sustainability, 2021). Thanks to the efforts of the Government of the Emirates, the share of the non-oil sector in the country's GDP has increased over the past 20 years by about 30% and amounted to 67.3% in 2008. The GDP of the United Arab Emirates in 1998 amounted to 48 billion dollars, and in 10 years this figure reached 230 billion dollars, and

the growth rate of real GDP increased to 8%. Despite the robust growth in 2009, there was a very sharp decline in real GDP growth rates (2.7%). The reasons for this economic crisis are rooted in the global crisis of 2008-2009, and the decline in crude oil prices on the world market significantly affected the growth rate of real GDP in the UAE. But even in spite of all these factors, the non-oil sectors of the UAE economy continued to develop rapidly from year to year, as a result, it can be concluded that the UAE every year weakens the dependence of the country's economy on the export of crude oil. Naturally, the country's economy cannot fully exist only at the expense of non-oil sectors of the economy, and therefore, oil and oil products still make up a significant part of the UAE's gross product, but their share has not been decisive for a long time. Now in 2021, the share of oil and gas in the country's GDP will be only 29% (Figure 1.6) (United Arab Emirates | Statista).

A few years ago, the UAE underwent a small macroeconomic revolution driven by the desire to move away from the mono-resource economy for which they were once so famous. One of the distinguishing features of this macroeconomic revolution was the introduction of a 5% VAT in 2018, large investments in infrastructure, large educational projects, health care and, above all, renewable energy sources contributed to an increase in the diversification of the UAE economy. This, in turn, played a key role and allowed the UAE to withstand the test of sharp fluctuations in oil and gas prices. Taking into account the factor of the current factor of "coronavirus" which has harmed absolutely all sectors of the economy, as well as the potential reduction in world oil consumption, such steps by the state were very useful for the UAE economy. The emirate of Dubai, the unconditional leader of the UAE economy, has long been a leader among other emirates in terms of diversification, but it should be noted that this is only the beginning of a long and difficult path to economic diversification. The 2019 federal budget has been the main source of funding for the economic transformation strategy (Danilina, 2011).

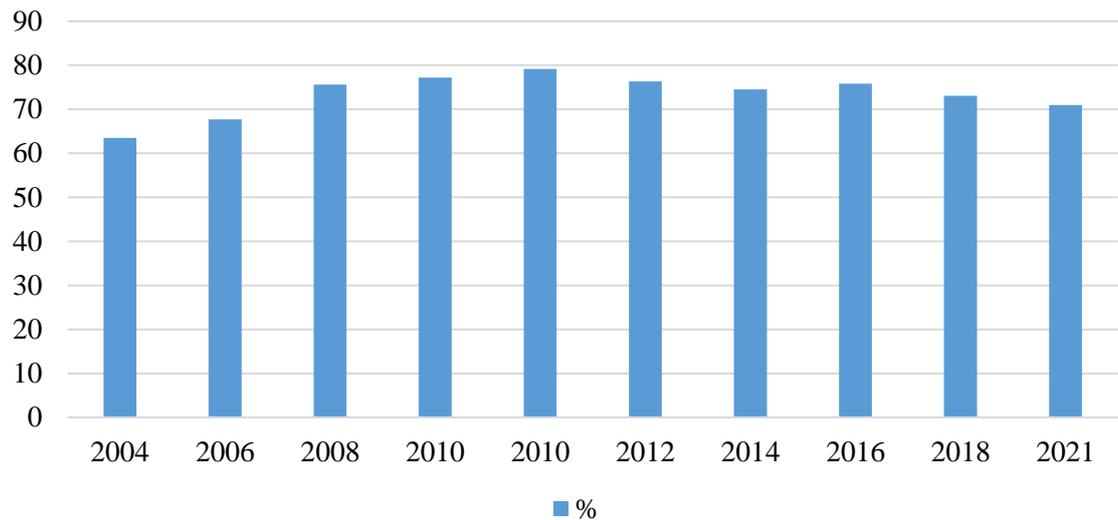


Fig. 1.6 Share of the non-oil sector in total GDP

Source: (United Arab Emirates - share of economic sectors in GDP 2019 | Statista, 2021)

It is important to understand that 70% of the revenues from the UAE government are received from the non-oil sectors, which already shows that the country is moving in the right direction and diversification has a positive effect on the UAE. These strategies are based on the desire to move towards an economy based on the following sectors:

1. Healthcare
2. Education system;
3. Favorable environment and infrastructure;
4. Identity and cohesion of the nation;
5. Fair ship system;
6. Competitive economy with top talent in every sector.

To encourage the development of these sectors, the UAE government is pursuing a policy of every possible encouragement of banks to increase lending activity in the non-oil sectors, while at the same time they are strengthening the regulatory framework of each of these sectors. The most significant successes in pursuing a policy of diversification were observed in the Emirate of Dubai, where 90% of GNP is accounted for by industry, trade, construction, tourism, banking, finance and services (the share of the oil sector in the GNP of the emirate was only 8% in 2019). From Table 1.1 it follows that during 2004-2012. in the sectoral structure of the UAE economy there were

significant structural changes. The share of the oil industry has been steadily declining from 36.5% in 2004 to 25.7% in 2012. At the same time, the share of agriculture and other industries not related to the oil sector grew systematically. The share of agriculture increased from 2.4% in 2004 to 3.2% in 2012, by 0.8%. The share of the non-oil industry increased from 19.8% to 21.5%, by 1.7% (United Arab Emirates | Statista, 2021)

Table 1.1

GDP structure of the United Arab Emirates in 2004-2012

	2004	2006	2008	2010	2012
GDP	100.0	100.0	100.0	100.0	100.0
Oil production	36.5	31.8	31.5	30.7	25.7
Other sectors of the economy	63.5	68.2	68.5	69.3	74.3
Agriculture	2.4	3.0	1.7	3.0	3.2
Industry	19.8	20.8	21.1	20.7	21.5
Mining industry	0.3	0.3	0.4	0.3	0.3
Manufacturing sectors	8.6	10.2	10.7	10.7	11.0
Energy	2.1	1.9	1.5	1.5	1.5
Construction	8.8	8.4	8.5	8.2	8.6
Services sector	41.3	44.4	45.7	45.6	49.6
Trade	11.7	12.1	11.7	11.8	12.2
Wholesale and retail trade	10.3	10.6	10.3	10.2	11.6
Transport and communication	5.8	5.9	5.8	6.2	6.2
Financial sector	4.9	5.5	5.6	5.8	5.9
Other service sectors	8.6	10.2	12.3	11.6	13.7

Source: (GDP structure of the United Arab Emirates - United Arab Emirates | Data, 2021)

But the share of the service sector has especially increased. If earlier in 2004 it was 41.3% of the sectoral structure of the economy, then in 2012 it grew to 49.6%. Almost all sectors of the service sector grew not only in absolute terms, but also in the share sector: finance, trade, transport and communication. But the fastest growing rates were observed

in services such as real estate, restaurant and hospitality. It should be emphasized that a decrease in the share of the oil-extracting industry does not mean a decrease in the volume and growth rate of oil production. These structural shifts are related and are a direct result of diversification policies aimed at reducing the dependence of the UAE economy on the oil sector, to create and modernizing the diversified structure of the economy. Agriculture is represented mainly by the production of dates, vegetables and fruits, poultry and egg production, cattle breeding, fishing (about 100 thousand tons of fish per year), pearl production. Fish consumption in the UAE is one of the highest in the world - 140 kg per capita. In the UAE, only 0.48% of the land is suitable for cultivation. The unfavorable conditions of agricultural production are compensated by the state assistance (UAE.Stat, 2021).

1.3 Labour market of UAE and its participation in international migration processes

The total population of the UAE is approximately 10 million (Figure 1.7), of which only a third are ethnic Arabs and 11% are indigenous. All other people are - immigrants from poor countries for example from Pakistan, India, Bangladesh, Sri Lanka, Nepal and other countries of South Asia and the Philippines, Arab immigrants are mainly represented by Arabs from other Arab countries with a low standard of living (Yemen, Iraq, Egypt, Sudan). There are immigrants from East and Central Africa, mainly from Somalia, Ethiopia, Tanzania and Eritrea. 88% of the population of the Emirates is concentrated in cities. The largest and fastest growing city is Dubai with a population of over 2.5 million. Other major cities are Abu Dhabi (capital), Sharjah, Al Ain and Fujairah (UAE statistics, 2021), (Ghukasyan, 2012).

Last years were time of economic reforms, UAE has carried out profound socio-economic transformations that have led to structural changes and achievements in socio-economic life. The UAE was able to noticeably bypass not only the countries of this region, but also other industrialized and developing countries in a number of important socio-economic indicators. The UAE economy is mentioned the third most stable in the Arab world after Saudi Arabia and Egypt.

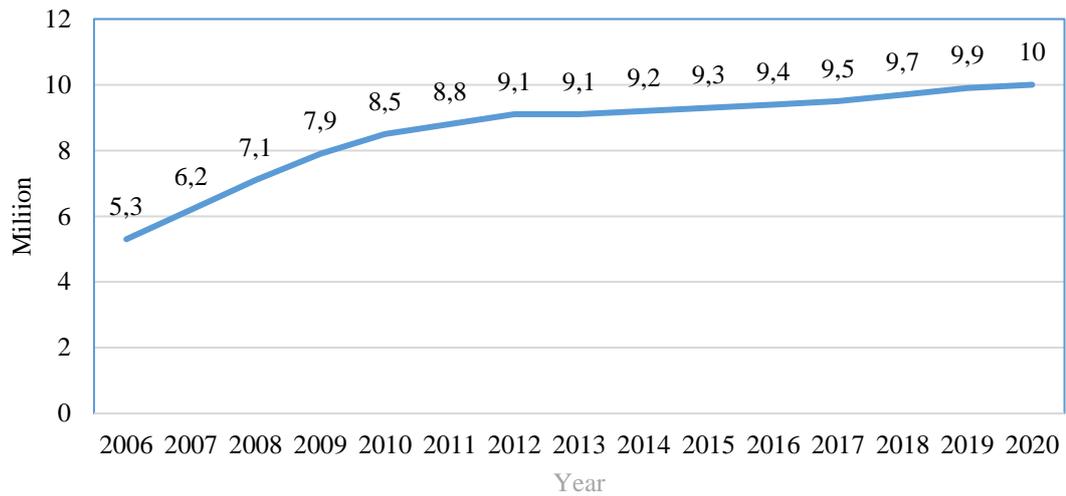


Fig 1.7 Population, total - United Arab Emirates

Source:(Population, total - United Arab Emirates | Data, 2021)

The UAE is still a country whose citizenship is unrealistically difficult. But on the other hand, the government of the state generously distributes resident visas. The right to legally live and work in the UAE for 3 years is obtained by the owners of onshore companies, employees of various organizations working in them, foreigners who have bought expensive real estate (from 1 million dirhams). The so-called white collar workers (effective managers represented by immigrants from the USA and Europe), workers from poor countries such as India, Pakistan, Bangladesh, and service personnel, most of whom are citizens of the Philippines, want to find a better life and work in the UAE, especially in Dubai. There is work for everyone, but the salary is different for everyone, it already depends on professional skills and areas. According to the structure of the population, the overwhelming majority is employed by the population aged 25 to 54 years. (Fig 1.8) The share of the elderly population is insignificant. The difference between the UAE pension system from other countries is the absence of a rigid fixed age. The population has the right to go on a well-deserved rest after 20 years of work experience. Emirati people get access to a pension when they reach the minimum age threshold: 55 for men and 50 for women. Also, the legislative framework provides for early exit. But in this case, the person has to pay a fine, and the amount of the pension is significantly reduced. Pension payments represent about 80% of the last income of the Emirati. Given the high level of wages in the country, it is not surprising that in old age people receive tens of thousands of dollars a month. The basic pension in the UAE is almost \$ 3,000 per month. It is

impossible to receive both old-age accruals and salary at the same time. For foreign migrants, special funds are being created to form pension savings. Employers contribute to it on a voluntary basis. In connection with the growing life expectancy of the population and its aging, the government increasingly began to think about raising the retirement age threshold (UAE.Stat, 2021).

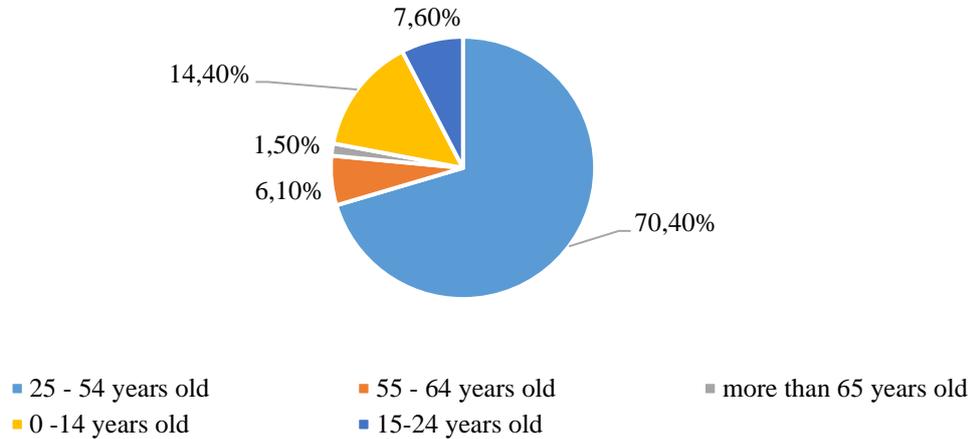


Fig. 1.8 UAE population structure by age, 2018

Source: (UAE: population by age 2018 | Statista, 2021)

As a result, we can conclude that the vast majority of the population of the Emirates is the labor force. The total labor force in the UAE in 2018 was 7.384 million. The total number of people employed was 7.219 million (Ghukasyan, 2012), (Fig. 1.9).

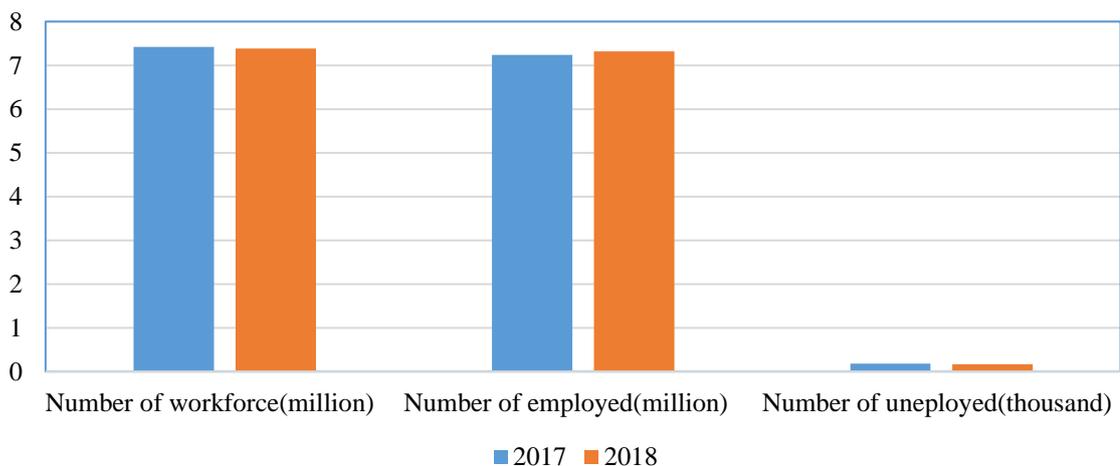


Fig.1.9 UAE workforce, workers and unemployed for 2017-2018

Source: (Labour, 2021).

The currency of the state is the dirham (AED). At the same time, the currency is quite closely related to the dollar equivalent, and salaries will be estimated in dollars. Indigenous people employed in their specialty can receive a salary of \$ 10,000 per month, as we can see from Table 1.1, moreover, only 0.2 percent of ethnic Arabs receive a salary of 1,000 to 5,000 dirhams, and the rest receive much more. A migrant engaged in specialized and highly qualified work receives about 7,000 per month. time, foreigners engaged in seasonal work receive for their labor no more than 2,000 per month (Table 1.2), (Tong, 2017).

Employment in the UAE looks much better for representatives of more economically and culturally developed countries. Working as a specialist in the UAE for Ukrainians, Russians and citizens of the CIS countries promises good chances, both in terms of high earnings and in terms of career prospects. Where a certain level of professionalism is required, employers select staff more carefully. Attention is paid to professional skills, work experience, education, knowledge of English, psychological resilience and communication skills. In the UAE, you can expect very good prospects, because the country is in dire need of professionals. Here it is customary to conduct training, given the opportunity to try yourself in a new capacity, and when the contract expires, you can easily find another job - with better conditions and higher pay (Kostyunina and Lomakin, 2014).

Table 1.2

Percentage distribution of Employed Persons (15 years and over) by Nationality,
Gender and Monthly Wages Group

Citizenship		Emirati	Emirati	Emirati	Non-Emirati	Non-Emirati	Non-Emirati	Total	Total	Total
Gender		Male	Female	Total	Male	Female	Total	Male	Female	Total
Monthly Salary										
AED Less than 999		0	0	0	7,9	3,7	6,9	7,6	3,5	6,6
AED 1,000 - 2,499		0,1	0,2	0,2	40,1	44,4	41,1	38,4	41,7	39,2

AED 2,500 - 4,999		0,2	2,6	0,9	18,4	13	17,1	17,6	12,4	16,3
AED 5,000 - 9,999		1,8	8,9	4	11,5	16,4	12,6	11	16	12,2
AED 10,000 - 19,999		23,5	29,3	25,3	9,3	10,9	9,7	9,9	12	10,4
AED 20,000 - 34,999		36,6	34,2	35,9	4,9	5,4	5	6,2	7,2	6,5
AED 35,000 - 49,999		10	7,6	9,2	1,8	0,7	1,5	2,2	1,1	1,9
AED 50,000 - 74,999		4,5	2,4	3,9	1,1	0,4	0,9	1,2	0,6	1,1
AED 75,000 - 99,999		1,3	0,4	1	0,2	0	0,2	0,3	0	0,2
AED 100,000		0,9	0	0,7	0,2	0	0,2	0,3	0	0,2
Not Stated		21	14,3	18,9	4,6	4,9	4,7	5,3	5,5	5,4
Total		100	100	100	100	100	100	100	100	100

Source: (Labour, 2021)

Salary is the main part of labor costs for employers and, accordingly, the main source of income for employees. The salary is very important information when making business decisions and developing company policy. In our time, when the economy does not stand still and the world is getting more and more immersed in the process of globalization every day, wages are not immune from the impact of globalization and international competition. Workers experience a sense of competition not only with their colleagues in domestic labor markets for high-paying jobs, but have competition with foreigner's markets.

Moreover, since the problem of immigration is very important for the UAE, most workers in this country also compete with migrant workers who in search of work. International competition usually narrows the wage gap in certain dimensions, but widens the gap in other dimensions. And as a result, the level of wages shows supply and demand not only in domestic but also in foreign markets, especially this tendency concerns countries with an open labor market. A small, open and fast-growing economy, the UAE presents an interesting case with regard to its labor economics. This is an emerging

economy staffed primarily by foreign workers, with rather narrow industrial focuses mainly in the energy and service sectors but thin in manufacturing and technology sectors (Fig 1.10).

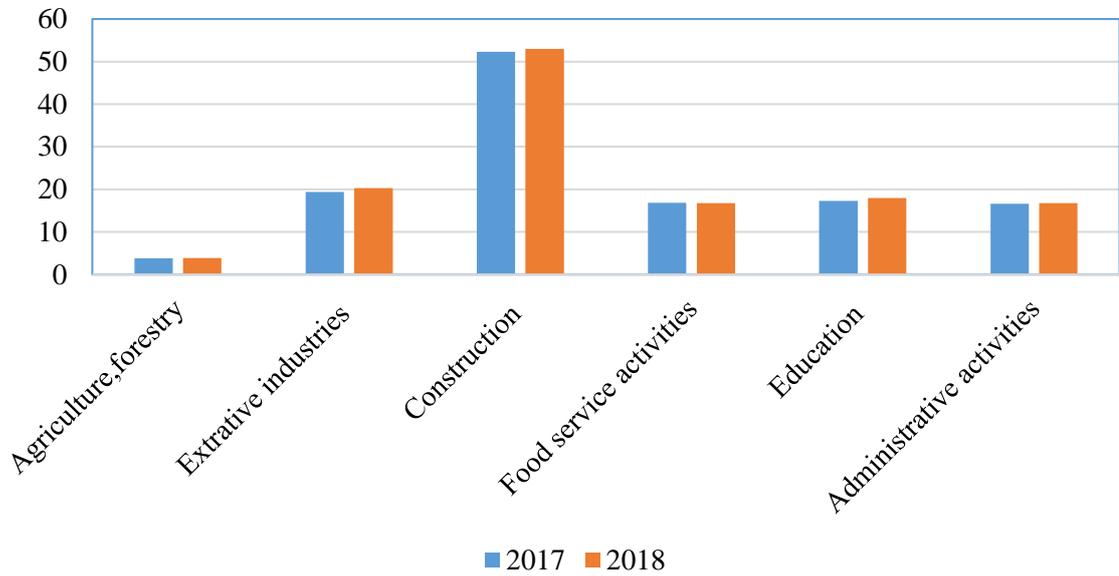


Fig. 1.10 Estimates of compensations of employees by economic sector for years 2017 and 2018 (in AED million)

Source: Federal Competitiveness and Statistic Authority, Preliminary Figures, 2021

CHAPTER 2

FOREIGN ECONOMIC ACTIVITY OF UAE

2.1 UAE export-import activity

Trade is one of the most important industries in the UAE, as it is one of the richest countries in the world in terms of crude oil and petroleum products. The UAE also imports many products, among which the first positions are occupied by food products, machines and equipment. International activities have played an important role in shaping the UAE economy. Stable trade relations with several countries and the support of open trade have made the UAE a key center of international trade. Recent studies show that the United Arab Emirates is the 23rd largest exporter in the world. On the other hand, the country is also ranked among the world's largest importers, ranking 19th. (UAE.Stat, 2021) Based on a very successful plan to diversify the economy, the UAE government has managed to attract a significant number of foreign investors looking for opportunities for development and expansion in the Persian Gulf. The United Arab Emirates is known as a business center in the Middle East and beyond. Technological progress, economic growth and developed infrastructure are the main indicators that motivate many countries to negotiate bilaterally with the UAE federal government. The UAE has an excellent geographical location, which allows it to act as a re-export center for neighboring countries. Thanks to the modern infrastructure that helps to transport goods, Dubai has become one of the most important shopping centers in the Middle East. The government is also investing heavily in helping the industry grow. Dubai is one of the most important economic hubs in the UAE, so import and export activities are supported by the government. Given all the economic achievements of the Emirates, it is clear that this is a reliable country with which they seek to cooperate. Analyzing the international activity of the UAE, it can be seen that the countries have never had a negative trade balance, i.e. they always sold more than they bought. This is another proof that the country is

conducting proper and efficient economic activities (Fig.2.1), (Merkulov and Rodionova, 2014).

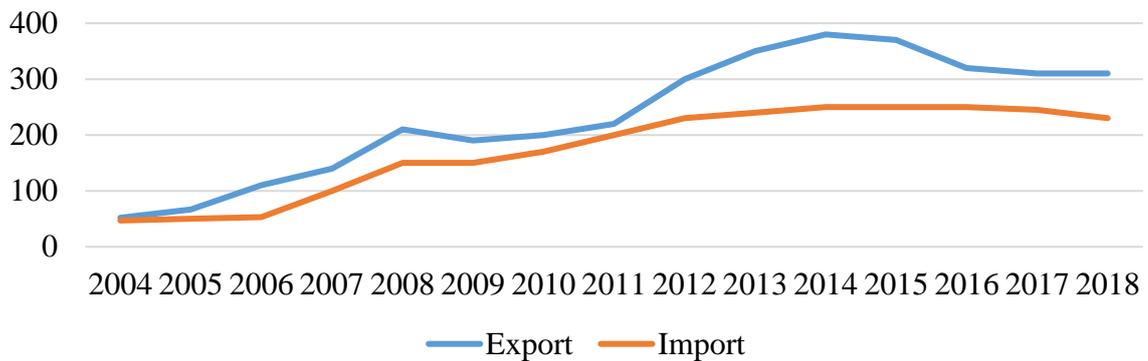


Fig.2.1 UAE exports and imports, billion dollars USA

Source: (United Arab Emirates (ARE) Exports, Imports, and Trade Partners, 2021)

The UAE's main export partners are:

1. Japan - 17.1% of total exports. The country buys crude oil and aluminum;
 2. India - 13.6%. Mainly buys primary products: pearls,
 - i) precious and semiprecious metals,
 - ii) gold,
 - iii) cellulose and waste paper,
 - iv) sulfur,
 - v) scrap metal,
 - vi) organic and inorganic chemicals;
 3. Iran - 6.9%. Imports primary products, the same set as India;
 4. South Korea - 6.1%. Main products: crude oil, petroleum products, such as oil and liquefied petroleum gas, aluminum, copper;
 5. Thailand - 5.1%. Main products: crude oil, scrap metal, gold and silver, chemicals
- (Fig.2.2) (United Arab Emirates (ARE) Exports, Imports, and Trade Partners, 2021)

Due to the fact that the trade infrastructure in the United Arab Emirates is much better than in other countries, the level of exports to the UAE for 15 years (2000-2015) increased by 1.5 thousand percent. Considering that the world indicators increased by only 120%, then one can imagine such a rapid pace of development of this country. Today, in terms of exports, the United Arab Emirates occupies 17th place in the international ranking and is the first in its region. It is not difficult to figure out the

goods that are most actively exported by the United Arab Emirates. First of all, it is black gold, the deposits of which gave impetus to the economy of Dubai. The main consumer of not only Arab oil, but also liquefied gas is Japan, which accounts for 70% of all volumes (United Arab Emirates (ARE) Exports, Imports, and Trade Partners, 2021)

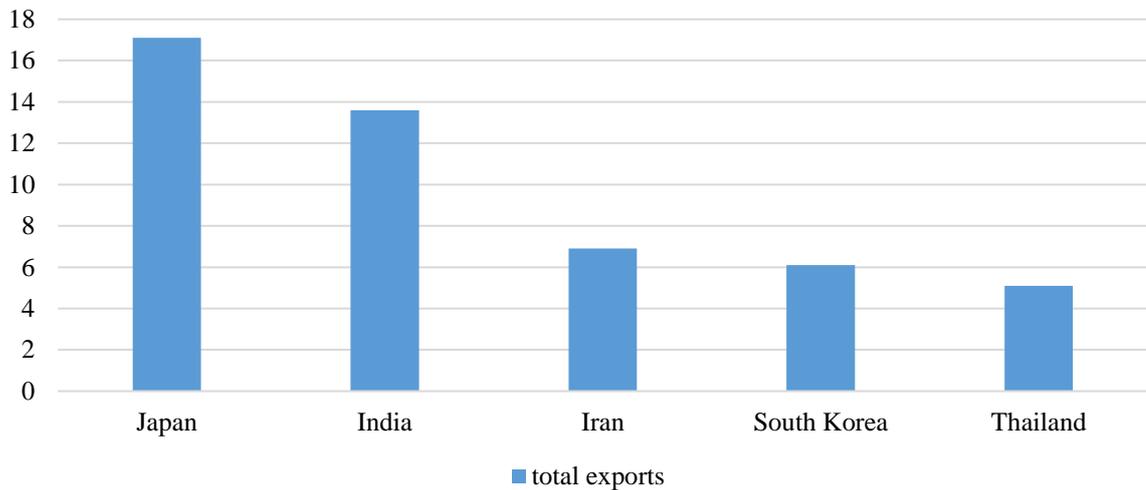


Fig. 2.2 Total export of major export partners of UAE

Source: (United Arab Emirates (ARE) Exports, Imports, and Trade Partners, 2021)

One of the leading places in the UAE economy is the export of gold and jewelry. Today this emirate is called one of the world's main suppliers of precious metals. In just one quarter of last year, it was possible to sell gold and other precious metals worth over \$ 6 billion to other countries. Profitable goods for export are also cars, metals (primarily aluminum), rubber and rubber products, fertilizers for fields, textiles, ceramics, electrical goods, appliances, and even food. All this makes it possible to substantially fill the treasury of the United Arab Emirates. The United Arab Emirates imports a lot of products, which put them on the 19th line in the international ranking. Every year, imported products worth over \$ 70 billion are imported into the country. Cooperation with Asian and other countries in the UAE is mutually beneficial. The Emirates supply their oil, oil products, precious metals, textiles and other goods, and in return they receive what they need for a normal life. For example, Japan annually imports \$ 25 billion worth of products to the UAE. The UAE government maintains close trade relations with China, importing from their clothing and textiles, copper, tin and other metals, food. At the level of the

prime ministers of the two countries, negotiations have been held more than once, which should sooner or later lead to intensive cooperation between the two countries in the pharmaceutical, telecommunications, high-tech, engineering and other spheres. Not only friendly-neighborly, but also trade relations are supported by the government of the United Arab Emirates with Iran. However, while the UAE's exports to this country significantly exceed imports. Iran buys so many Arab goods that it even opened an Iranian trade center in Dubai 9 years ago, which should have further strengthened commercial ties between the two countries. Indian entrepreneurs have also found their way to the UAE market. The greatest demand in the United Arab Emirates is enjoyed by the import of such Indian goods: sportswear and equipment, pharmaceutical products. To bring more Indian businessmen to the Arab market, trade shows are regularly held. The main European importer to the United Arab Emirates is the United Kingdom. Parts for cars and aircraft, livestock products, clothing, electrical goods, equipment, household chemicals and precious metals are in great demand in the market of Dubai and other emirates. The share of imports from the UK in the UAE market is growing every year, while the rate of exports to the United Kingdom has been steadily declining. As a developed country, the United Arab Emirates imports and exports tens of billions of dollars' worth of products, being a major trade center not only in the Middle East, but throughout the world. (UAE.Stat, 2021). In order to better understand the integration of the UAE into the world economy and to determine whether there is a relationship between exports and GDP, a correlation analysis is needed (Table 2.1), (Merkulov and Rodionova, 2014).

As we can see from the analysis, the correlation coefficient is close to 1, which indicates a strong direct relationship between the studied indicators. Therefore, the UAE is highly integrated into the world economy and dependent on international markets. Indeed, at the moment most of the GDP is exported goods and raw materials. But the country is doing its best to further develop its economy in order to completely minimize imports and become one of the world's largest exporters. Thus, we can once again be sure that neither the climate nor the weather conditions can prevent the UAE from being a market leader. In the country for all years there is a negative trade balance, and even that

is not enough. Now the main goal is to reduce imports by encouraging and developing agricultural activities in the Emirates (Bocharova, 2014).

Table 2.1

The relationship between exports and GDP

Year	Export volume, billion dollars	GDP billion dollars
2004	56.7	147.8
2005	69.5	180.62
2006	103.1	222.12
2007	137.1	257.92
2008	210.5	315.48
2009	192.2	253.55
2010	212.3	289.79
2011	281.6	350.67
2012	350.1	374.59
2013	378.6	390.11
2014	370.6	403.14
2015	333.3	358.14
2016	316	357.05
2017	314.7	377.7
2018	316.7	414.18
The correlation coefficient is:	0.945639773	

Source: (United Arab Emirates Trade Statistics | WITS, 2021)

As we can see from the analysis, the correlation coefficient is close to 1, which indicates a strong direct relationship between the studied indicators. Therefore, the UAE is highly integrated into the world economy and dependent on international markets. Indeed, at the moment most of the GDP is exported goods and raw materials. But the country is doing its best to further develop its economy in order to completely minimize imports and become one of the world's largest exporters. Thus, we can once again be sure that neither the climate nor the weather conditions can prevent the UAE from being a market leader. In the country for all years there is a negative trade balance, and even that is not enough. Now the main goal is to reduce imports by encouraging and developing agricultural activities in the Emirates. (Bocharova, 2014).

2.2 The main factors and obstacles of foreign direct investment in the Emirates

The UAE, in particular Dubai, capital investment is an attractive destination for many foreign investors, as oil and gas exports have provided stable and rapid economic growth for the United Arab Emirates. This is also facilitated by the intensive development of construction, tourism and foreign trade. More and more investors are looking to start a business in this country, as it is a win-win option for capital investment. In order to open a business in the Emirates, you must first obtain a permit and license from the relevant authorities. According to the data, only in Dubai in 2018, almost 38.4 thousand new business licenses were issued, which is 90% more than in 2017. It is reported that the opening of new businesses in Dubai has created 184,477 jobs. Therefore, it is obvious that foreign investment has an impact on the development of the UAE economy (Table 2.2.) (Bocharova, 2014), (UAE.Stat, 2021).

Table 2.2

Share of FDI in GDP, %

	FDI stock, UDS billion	GDP, USD billion	Share of FDI in GDP, %
2010	1.069	104.3	1.02
2010	63.869	289.8	22.03
2017	129.934	377.7	34.4

Source: (UAE - share of foreign direct investment 2017 | Statista, 2021)

As you can see from the table 2.2, the figures are constantly growing. The UAE government is trying to encourage foreign funding, as it is an additional opportunity to increase the country's wealth and promote its development. And the country, in turn, is doing everything possible to encourage investors. One of the important initiatives to attract foreign direct investment is the creation of more than 40 specially designated free trade areas. According to the law, free trade zones have benefits such as:

1. simplified company registration process;
2. 100% exemption from taxes on imports and exports;
3. opportunity to open a bank account in Dubai.

At this stage, the UAE state is doing everything possible and impossible to attract investors to the country as much as possible. The most pertinent example is the adoption of the Competition Law in the UAE, which protects investors who choose to register a company in this country. The law provides for the removal of the national economy from all unfair practices that negatively affect its efficiency, including from monopolies. The law was drafted in line with the recommendations made by the World Trade Organization in its most recent review of the UAE's trade policy. The law means and presupposes a favorable business environment for increasing efficiency, competitiveness, consumer welfare and sustainable business development in the country. There is no doubt that the most attractive sector for investment is, of course, the tourism business. At the moment, this is the newest and most profitable destination in the UAE. Investment in travel and tourism totaled AED 26.2 billion (AED 7.1 billion), accounting for 7% of the country's total investment. According to the latest projections, it will grow 11 percent annually over the next 10 years to AED 74.5 billion (USD 20.3 billion) in 2027, equal to 11.2 percent of total investment. (International Tourism Arrivals - United Arab Emirates | Data, 2021).

Many investors are eager to start oil production here, and the oil refining business, however, is practically impossible for a foreign investor to do. Although there is a policy of openness to foreign direct investment, there are many strict laws that control the activities of these investors. One is the Foreign Direct Investment Act, which lists the sectors of the economy in which foreign direct investment is prohibited (negative list). These include: oil production; military and defense industries (production of military weapons, explosives, military equipment); banking and finance; road and air transport; and retail trade in medical goods, including medicines; Water and electricity services; insurance and much more. The Ministry of Economic Affairs reserves the right to make any changes to the list that it deems necessary. There is also a Positive List of Foreign Activities. This list consists of 122 economic activities in areas such as agriculture, manufacturing, renewable energy, e-commerce, transportation, arts, construction and entertainment. The positive list sets out additional requirements, such as minimum capital requirements for certain activities, obligations to use advanced technology, and requirements to facilitate labor emigration. It also needs to be clarified that the important

point is that the Commercial Law means that 51% of the company must be owned by a UAE citizen or a local company, and 49% by a foreigner, so the country restricts foreign ownership. The activities of branches of foreign companies are possible without the participation of a citizen of the UAE, but for the normal functioning of the company must have an agent representing the UAE. However, this only applies to companies operating outside economic zones. (UAE.Stat, 2021). It should also be noted that the Arab Emirates is a Muslim country where the vast majority of actions are strictly regulated by Islamic law. Thanks to this fact, there are no taxes (only in 2018, a value added tax of 5% was introduced for the first time), there is no export duty, and there are also no customs duties on more than 50 basic types of food. However, the importation of products that violate Muslim religious norms is subject to very high tariffs. For example, the customs tariff for all tobacco products is 100%, while tariff for alcohol is 50%. There are items that are generally strictly prohibited from being imported into the country, for example: strong alcohol, goods of Israeli origin, used rubber tires and much more. Therefore, starting a business in the UAE is not so easy for an investor, but it is possible. The main thing is to always comply with the laws and in no case contradict them, especially if you are a foreign investor (UAE.Stat, 2021).

2.3 Assessment of the UAE investment climate and attractiveness for Ukrainian investors

The work below presents data (Fig. 2.3) from the official website of the Doing Business rating, thanks to which you can analyze all the necessary data and understand how convenient and developed the country is for doing business in it and, accordingly, for new direct and indirect investments. A high rate for each of doing business criteria in the country means that the regulatory environment is more conducive to starting and operating a local firm (Explore Economies, 2021).

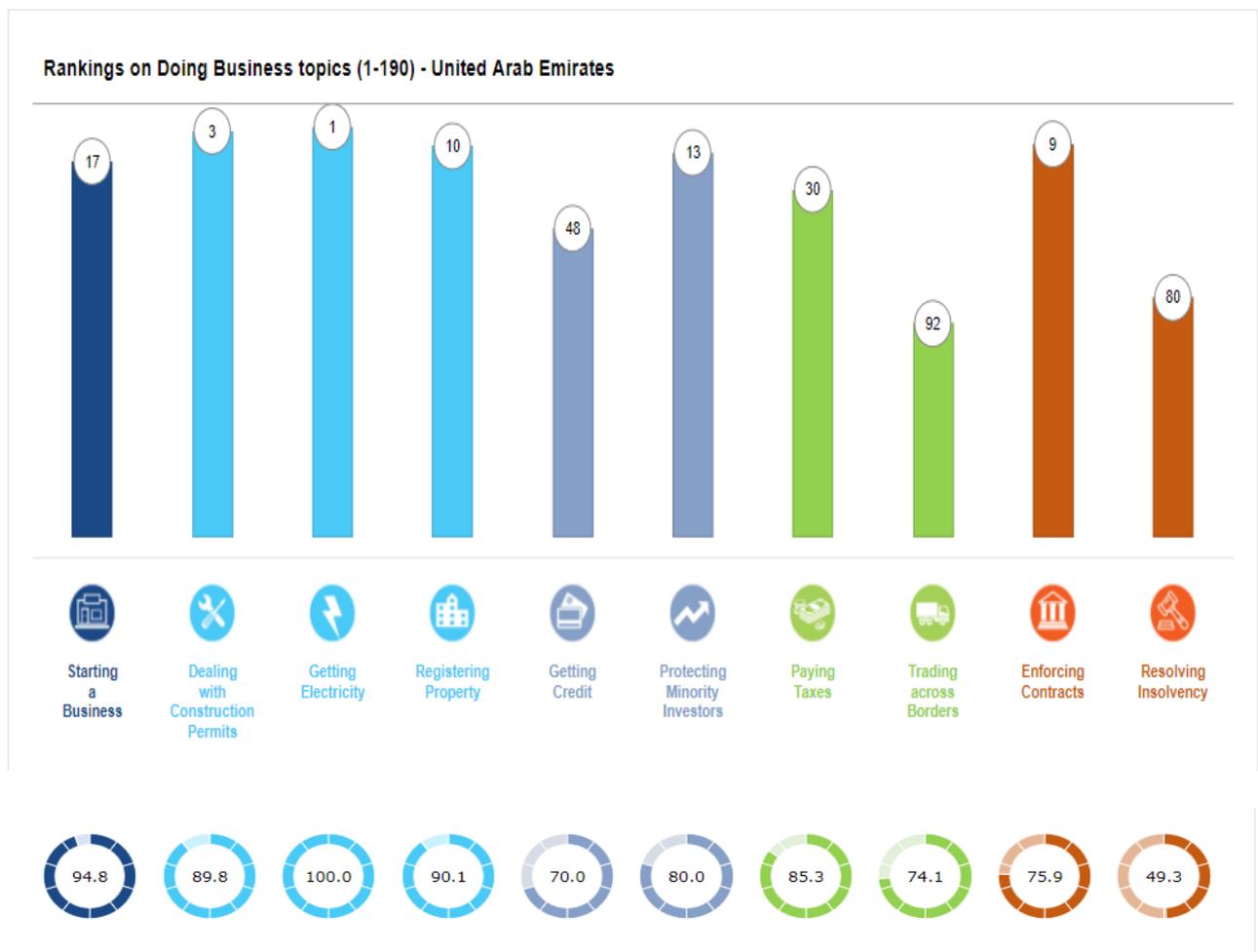


Fig.2.3 Doing business rating data

Source: (Explore Economies, 2021)

In the World Bank's Doing Business Index, which shows how easy is to do business in the world, the UAE ranks 16th (80.9), followed by New Zealand (86.8). (Explore Economies, 2021) The Government of the Emirates has set a task: to become leaders in 2021 among countries and to implement a number of necessary economic

transformations. Therefore, focusing on this rating, it becomes clear why more and more investors are seeking to start their activities in this country. In order to know as much as possible about an ability to invest in the given country, it is necessary to analyze all aspects of investment climate of the UAE. First of all, the purpose of any project is to make a profit. Investor is not interested in the nominal amount of money, but in how many goods and services he will be able to buy from the investment. One of the factors that directly affects this is the level of inflation in the country (Fig.2.4). This impact is especially noticeable for projects that require a long payback period.

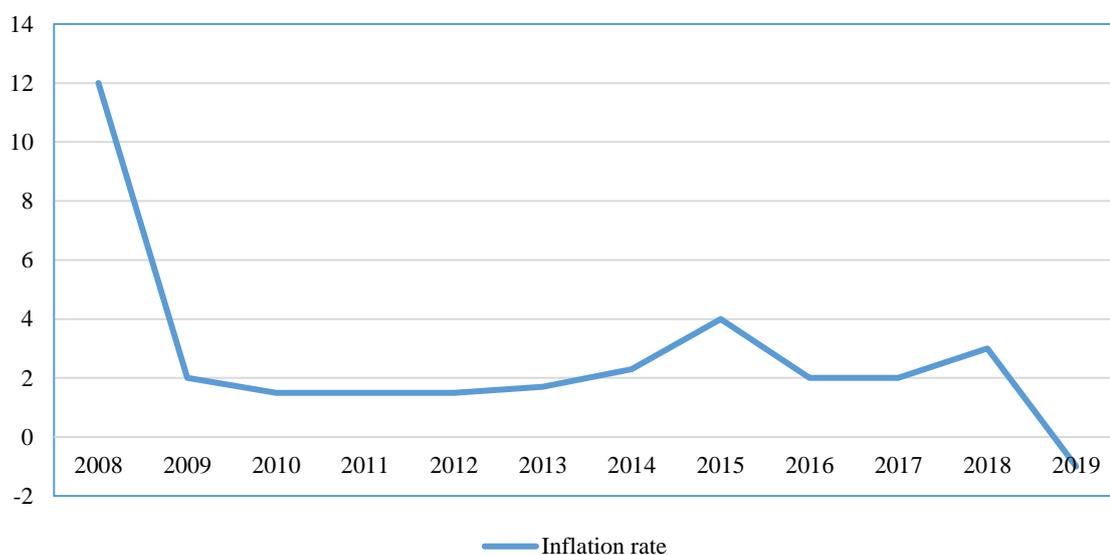


Fig.2.4 Inflation rate in the UAE

Source: (UAE. Stat, 2021)

During the observation period from 2008 to 2019, the average inflation rate was 2.6% per year. That is, it is a consistently low level that promotes economic development and does not harm the economy. Although in 2019 there was such a phenomenon as deflation, but as of today, in the UAE, inflation is gradually rising to normal. Therefore, relying on this indicator, we can say that prices in the country are stable, which will not pose a threat to foreign investors (UAE.Stat, 2021).

My paper will consider the example of investing in the restaurant business in Dubai, as it is the most touristy and richest emirate and, accordingly, if a foreign investor intends to open a business in the UAE, it is likely that investor will stop at Dubai. It has been repeatedly stated that the UAE has a favorable geographical position in the tourist

sense. Today, more and more tourists from around the world seek to visit the Emirates. This was especially noticeable in 2020, on the eve of the World Expo 2020. Thanks to the exhibition, the demand for the hotel grew rapidly, so now there is an intensive construction of new buildings and premises. By the end of 2020, more than 120,000 had been commissioned. Of course, with the new realities and the pandemic, the number of tourists has decreased worldwide and the Emirates is no exception. But in spite of everything, the UAE remains open to tourists even during the COVID-19 period, it is only required to comply with all the rules and undergo PCR tests, which are necessary for entry into the country. The state program Dubai Tourism Strategy 2020 aims to attract 20 million tourists annually and become the best destination to visit according to the Global Destination Cities Index. By the way, in 2018 Dubai took first place in this ranking with 15.93 million tourists, the daily average which cost \$ 553 (Tourism Statistics, Research and Insights | Dubai Tourism, 2021)

Having the necessary documentation before starting a business in Dubai cannot be overemphasized. It is a fact that you cannot successfully conduct business in Dubai without proper documentation. If you do, it won't take long before the long arm of the law catches up with you. These are some of the basic legal documents you must have if you want to legally run your own restaurant business in Dubai:

1. Registration certificate
2. Business license
3. Taxpayer ID / Taxpayer ID
4. Food & Beverage Service Certificate / Food Trade Licenses
5. Trading license
6. Food and safety license
7. No Objection Certificate (NOC) from Dubai Local Municipality
8. Medical examination certificate
9. Copy of the facility's technical support license and / or recent inspection report
10. liquor permit
11. pork permit
12. delivery authorization

13. Business plan
14. Non-disclosure agreement
15. Operating Agreement for LLC
16. Insurance policy
17. Online Terms of Use (if you also work online)
18. Online Privacy Policy Document (mainly for an online payment portal)
19. Company charter
20. Memorandum of Understanding (MoU)
21. Franchise or Trademark License (Optional)

To be fully prepared to invest in the UAE, you need to understand in more depth the tax system in this country. It is important to understand that the UAE is another country with different laws. During Ramadan (1 month per year), the working day of any employee, of any religion and nationality, is reduced by 2 hours, and for a Muslim - by 3. However, the employer must pay as a full-time salary. Knowledge of a foreign (English) language is a prerequisite for employees in the UAE. There are no payroll taxes, and the entire amount without deductions remains with the employee. We should not forget that the UAE is a Muslim country, and in the Qur'an there is no concept of tax, therefore, there is a simplified system of taxation, and in the country there are no taxes at all. One of the major and few taxes in the Emirates is the income tax. The Emirates of Abu Dhabi, Dubai and Sharjah have the following rates:

1. 10% - profit from 1,000,000 to 2,000,000 dirhams;
2. 30% - profit from 2,000,000 to 4,000,000 dirhams;
3. 40% - profit from 4,000,000 to 5,000,000 dirhams;
4. 55% - with a profit of over 5,000,000 dirhams (Real interest rate (%) - United Arab Emirates | Data, 2021).

In 2018, UAE banks are raising interest on deposits to attract more depositors. Due to the lack of liquidity, banks in the Emirates had to raise interest rates on time deposits. Investors who would like to receive higher returns on their Dirham accounts can now receive up to 2.2% per annum. For example, in 2017, the highest rates reached only 1.15% per year (UAE.Stat, 2021).

Advantages of opening an account in the UAE as a term deposit are:

1. A term deposit is a safe way to invest.
2. Almost every bank in the Emirates offers competitive interest rates.
3. Most banks allow early withdrawals, although sometimes for a small fee.
4. When investing in time deposits for a long term, it is possible to receive additional income from the capitalization of interest.
5. Some banks offer a credit card with a limit equal to the size of the deposit.
6. Some UAE banks offer free life insurance for time deposit depositors.

In the banks of the UAE, you can choose among two main types of deposits:

1. Regular deposit. For example, a deposit with a fixed rate and a fixed term. Typically, these deposits also offer overdrafts and allow early withdrawals.
2. Islamic deposits "Wakala". These deposits are in accordance with Sharia law. They are special agreements in which you authorize the bank to invest your funds in Sharia-approved activities for profit. Typically, these deposits are offered in AED or USD. Some Wakala deposits have predetermined deadlines and do not allow early withdrawals. Unlike conventional deposits, in Wakala deposits, the interest rate is not known in advance, and the income can only be judged by the estimated interest rate.

Basic parameters of term deposits in UAE banks:

1. Term of the deposit. The term of the deposit can vary from 1 week to 5 years.
2. Having a bank account. Some banks may require a customer to first open a checking or savings account with them.
3. Interest rate. It is important to check not only the amount of interest, but also to find out whether the bank can unilaterally change the interest rate. In addition, it is necessary to clarify whether it will be a simple interest or a compound one, and what is the period for calculating the interest.
4. Overdraft. Many banks can offer overdrafts up to 95% of the deposit amount. This can be important when there are urgent expenses.
5. Deposit currency. Most banks offer to choose the currency of the deposit. These can be dirhams, US dollars, euros, British pounds.

Documents that may be required to open a deposit in the UAE:

1. International passport.
2. UAE resident visa.
3. Proof of residential address.
4. Emirates ID.
5. Information about an existing checking or savings account

Table 2.3

Interest rates on term deposit "Step-Up" in Commercial Bank of Dubai

Deposit term	Annual interest rate	Penalty annual interest rate for early withdrawal
0 - 180 days	0.75%	0.75%
181-270 days	1.00%	0.75%
271-360 days	1.25%	1.00%
361-450 days	2.00%	1.25%
451- 540 days	2.50%	2.00%
541-630 days	3.00%	2.50%
631-720 days	4.00%	3.00%

Source: (Step-Up Time Deposit, 2021)

Of course, it is more profitable to buy premises, however, the cost in an elite area can reach 6 million dirhams (about 1.7 million US dollars). Therefore, to begin with, you need to get acquainted with rental prices. For example, the popular Al Garhoud area, as it is close to the international airport, the cost of renting a high-end is 110 Dhs (\$ 32) per square foot (0.09 square meters). This list also includes Bur Dubai, where the cost of rent in the low-cost segment is 60 Dhs per square foot. The fall in office rental prices occurred in the Jumeirah Lake Towers area, where the average rental cost fell to 70-180 Dhs per square foot. However, premium areas do not follow these trends - the cost of renting premises in Emirates Towers remains at around 310 Dhs per square feet, and in The Gate District - 225 Dhs per square foot. Next, you need to hire workers. In the labor market in the tourism sector, there are no problems with finding labor. But on the other hand, a significant problem is the acute shortage of skilled knowledge workers from among migrants. Salary levels are highly dependent on the emirate in which you work. For

example, the highest salaries can be observed in the Emirate of Dubai (52 thousand), then the Emirates of Abu Dhabi (42 thousand) and Sharjah (30 thousand). On the other hand, it should be noted that the Emirate of Ras Al Khaimah, on average, has the lowest wages (13 thousand). Such a difference between wages is striking for such a small country. In the other three northern emirates, Ajman, Umm al-Kawain and Fujairah, wages in 2008 are between 18 and 20 thousand, and their differences are not statistically significant. Speaking about the length of the working day, it should be noted that in five of the seven emirates, with the exception of Ras Al Khaimah and Fujairah, the average working day is 48 hours per week, as in most countries. It should also be noted that getting a job as a waiter, bartender or handyman will not be too difficult for an employee. Because this category of vacancies is quite popular, since there are no strict requirements for candidates for the level of education. In fact, in order to excel in this area, you need to have a good language base (English is required, Arabic is encouraged but not required). In addition, it is important for some elite employers that the job seeker has sufficient experience in the service industry. In this case, the salary can range from \$ 700 to \$ 2,500 (Table 2), (Tong, 2017), (Statistics and databases, 2021).

The investor will be able to easily find all the staff from senior managers to service staff with a profile that corresponds to its business model and target audience. turn to hire a manager whose minimum salary is \$ 2,800. USA. Reception staff receive from \$ 500, guest relay from \$ 500 to \$ 1,000 per month. Cleaners receive from \$ 200 a month, waiters in a restaurant — from \$ 300. A handyman can expect a salary of 160 to 400 dollars. Thus, as anywhere else in the world, wages depend on qualifications and type of employment, and there is no exact average (Tourism Statistics, Research and Insights | Dubai Tourism, 2021)

Table 2.4

The median salaries and working hours across 7 emirates

Emirates	Annual salary	Salary in cash	Salary in kind	Working hours
Dubai	52.800	48.000	2.400	48
Abu Dhabi	42.000	42.000	0	48
Sharjah	30.000	24.000	1.200	48
Ajman	20.400	18.000	600	48
Umm El Quawain	18.000	18.000	0	48
Ras Al Khaimah	13.440	12.000	0	54
Fujeirah	18.000	14.400	3.600	54

Source: (Salary Information - IMA, 2021)

As it was mentioned earlier, there are no problems with the supply of labor in the market. However, it should be borne in mind that the majority of handymen and service personnel are migrants from neighboring Asian countries. They have a low level of education, skills and qualifications, however, they also do not claim a high salary. But, on the other hand, Dubai is a multicultural city with many talented people. The investor will be able to easily find all staff from senior managers to service staff with a profile that matches his business model and target audience. The activities of an international company become much easier when it is in a free economic zone. There is a main rule - if the subject of the offense is a foreign citizen, he chooses - what rules and rights he will be guided. However, if a citizen is involved in the violation UAE, the country's judicial authorities will already be involved. This does not mean that there are no rules in the free zone. Police controls the activities of foreigners. Only in a controversial situation can foreigners not be tried under UAE law. And this does not apply to obvious violations or crimes. In such situations, the decisive word in the UAE court. Therefore, it is better not to break the law, to act in accordance with the rules and regulations and then the investment will pay off. The activities of an international company become much easier when it is in a free economic zone. There is a main rule - if the subject of the offense is a foreign citizen, he chooses - what rules and rights he will be guided. However, if a citizen is involved in the violation UAE, the country's judicial authorities will already be involved. The choice of the name of the hotel can also be an obstacle at the initial stage.

Things that are normal for a European are a ban for Arabs. You cannot refer to religion, in any case. It is best to call the company the last name or first name of a particular person. However, even here there is a ban. If you name, for example, a hotel after a person, that person must be a partner or business owner. This is due to the Privacy Laws. That is why, in order not to contradict the laws, it is important to have a manager-citizen Emirates, or a person who is very familiar with local nuances, which will help to do business and introduce you to all the features. This will help minimize the risks and costs caused by your own mistakes and lack information (Statistics | Open Data | Ministry of Community Development, 2021).

So, analyzing all the risks, benefits and everything that a foreign investor will face investing in the UAE, I can conclude that, like any business, it requires large investments. If you take it seriously, it will bring a lot of profit. Let me summarize that in the future the United Arab Emirates will continue to strengthen its position in various global ratings that assess the investment attractiveness of various regions of the world. As noted earlier, the most important factors that determine the demand for the UAE among foreign investors, I can name the optimal level of infrastructure development in the region, its strategically advantageous geographical position and preferential tax regime, which applies not only to investors, but also to foreign corporations that move their businesses to the emirate.

CHAPTER 3

DEVELOPMENT OF AN INTERNATIONAL INVESTMENT PROJECT REGARDING THE OPENING OF THE RESTAURANT

3.1 Main idea of the project, scope, forms and methods of investment in Dubai

The idea of starting a business in Dubai in 2021 is one of the best decisions a newbie or an established businessman can make. There are a number of reasons for this. Firstly, Dubai is one of the most popular business destinations in the whole world. Hundreds of large and medium-sized investors, the country's political stability and a diverse economy throughout the Middle East, and the absence of corruption speak for themselves. It is also important to note that from 2017 to 2020, the Dubai Economic Development Department issued 4,692 “instant” licenses to do business in this Emirate (of which 3,448 were for commercial activities and 1,244 for the professional category). Consequently, we can conclude that the flow of investors wishing to open a business in Dubai is only increasing every year. And each of them sees the prospect of developing their future business (UAE statistics, 2021)

The main idea of my investment project is that the restaurant business is in great demand among locals and tourists. Since the UAE is relationship oriented country, basically all transactions take place outside the offices. Wealthy sheikhs and businessmen choose private gourmet restaurants to conclude deals. Also, Dubai is a city of luxury where millions of tourists from all over the world travel with the sole purpose of spending huge amounts of money on entertainment and food, and if the restaurant is "heard" among the elite of Dubai businessmen, such a restaurant will always be in demand. It is also worth noting that religion prohibits Arabs from eating non-halal foods. In my restaurant, all products will be halal to increase the number of potential customers. To summarize, the target audience of my restaurant is Arab-businessmen and high-income people. The main goal of the investment project is to maximize profit. But besides the financial benefits, my goal is to promote Ukrainian cuisine, which will be interpreted into haute

cuisine. There will be a demand for such an offer, since there are a lot of representatives of the Ukrainian diaspora in the emirate.

Speaking about project implementation I want to emphasize that the process of setting up a company in Dubai is much more complicated than in the CIS countries and Europe, so it may be morally and physically a little more difficult for a foreign investor to open a business. This is explained by the slow process of documentation, if you have absolutely everything ready, including equipment, business plan and a room is found or purchased, then the process of registering a business can take from 2 to 3 weeks, plus registration of employees can take another 5-7 days. In total, it takes one month only to complete the entire documentation of the enterprise. However, if you want to add some additional gas equipment or for the purposes of your production there is not enough electrical power and you need to connect additional generators, then you need to be prepared that the business documentation process will take another more than half a month. Moreover, one shouldn't be forget that in many restaurants hookah is considered an additional type of income and many entrepreneurs provide such a service in their establishments, but an important stage in this process is obtaining a license for the sale of hookahs, since the UAE is an Islamic country. It is planned to raise investment capital at the expense of the project investor's own funds (450,000 USD USA) and loan capital (350,000 USD USA) - a bank loan (1.75% per annum for 1 year). The loan is issued by the Central Bank of the UAE, the loan rate of which is 1.75% Investment currency is USA dollar, however all expenditures in Dubai will be in dirhams. The national currency of the UAE is very strongly pegged to the dollar. Since the dollar is one of the most stable currencies in the world, large fluctuations in the currency of the Emirates are not expected. The dirham exchange rate is pegged to the US dollar at a ratio of 1 dollar = 3.6725 dirham as of 04/09/2021 (Foreign Exchange Rates | Emirates NBD, 2021).

3.2 Substantiation of the investment project regarding the opening of the hotel, assessment of the need for investment resources and identification of sources of their involvement

Before starting a business in the UAE, you need to know that foreigners are very carefully regulated and restricted here. That is why the Commercial Law stipulates that 51% of a company must be owned by a UAE citizen or a local company, and 49% by a foreigner. The activities of branches of foreign companies are possible without the participation of a citizen of the UAE, but in order to function properly, the company must then have an agent representing the UAE. However, this only applies to companies operating outside economic zones. If an investor wants to take full advantage of doing business in the Emirates, it is better to start a business in the so-called "free zone". There is a main rule - if the subject of the offense is a foreign citizen, he chooses - what rules and rights he will be guided. However, if a UAE citizen is involved in the violation, the country's judicial authorities will already be involved. Simplified business laws also apply in free zones, as activities here target international investors and everyone understands that Muslim laws may not always be acceptable to, say, Europeans. Here are some of the benefits that an investor who chooses a free economic zone for his business receives:

- 100% business ownership by foreign investors. That is, in order to open your business, you do not need to share it with a UAE citizen or an agent. In the offshore zone, the enterprise is wholly owned by a foreigner;
- lack of corporate and income tax;
- stable economic and political situation;
- the ability to open a bank account in Dubai in your own name.

Therefore, accordingly, our investment project - the opening of a restaurant in Dubai will operate in one of the free economic zones of the Emirate. Each such zone corresponds to a specific type of business and is governed by its own rules and authorities. Currently, there are 45 free economic zones in the country. Most of them are in Dubai. As already mentioned, in the UAE there are almost no taxes, but there is a local tax in Dubai of 10%, which is levied on the income of hotels and establishments that provide entertainment services. In addition, in 2018, a VAT of 5% was introduced. Therefore,

these taxes will be taken into account in future calculations (UAE.Stat, 2021), (Tourism, 2021).

So my restaurant will be located in the free zone of Dubai Multi Commodities Center (DMCC), which is currently one of the most popular and fast-growing. Thus, the investment project restaurant LLC "Dynasty" is located in the city center, in the area of Jumeirah Lakes Towers. It is also a very prestigious downtown area that attracts business travelers from all over the world. In free zones it is possible to open only limited liability companies. The DMCC allows the creation of a limited liability company, which may be a newly formed organization with one or more shareholders or a wholly-owned subsidiary of a local or foreign company. Choosing a company name is a very serious matter. In most cases, you should contact the relevant authority of the free zone or the Department of Economic Development for permitted trade names and check whether the selected name has not yet been registered by another company. At DMCC, the minimum capital to set up a company is \$ 13,700. USA. This capital must be registered in a bank account.

You can buy or rent premises in free zones. The requirements for the premises depend on the number of employees and the type of business activity of the company. Of course, the payback period in the acquired building is much faster, however, at the beginning of the business, it would be more expedient to rent the premises, since the prices in Dubai are very, very high. It should be noted that in Dubai there is an opportunity to buy a ready-made business with an existing license. The advantage of this variant of the purchase / sale agreement is the rental price. For example, in March 2021, the average cost of one square meter of commercial real estate in Dubai is 120 dollars, but thanks to the purchase of a ready-made business, the amount of rent for the contract can be 2-3 times less. In this type of lease agreement, you can change the name of the company and its partners, but the license number cannot be changed. It should also be noted that you need to buy a contract of action lines that will last at least until the full payback of your restaurant. The best lease options at the moment are the deals of 2008, this is explained by the global crisis of 2008-2009, as a result of which the prices for renting real estate in Dubai fell significantly. For my investment project, I also want to use this opportunity to buy a ready-made business using tenancy contract. The average price in the market for

selling a ready-made business with an area of 250-300 cadres varies from 300,000 to 600,000 thousand dollars. Free Wi-Fi and car parking are available for clients. In the first year of operation, it is planned that the restaurant will be 70% full, ie, on average, 63 seats out of 90 will be occupied. The largest increase in demand will be in September-April, as this period is considered the most touristy among the guests of the Emirates. The decline in demand for restaurant services is expected in the summer, however, it is planned that in the summer, at least 40 seats should be occupied. This time will be spent on improving and promoting the restaurant (Statistical Dashboards, 2021), (Tourism, 2021). Any business must know its client, otherwise it will fail. Even despite the fact that the restaurant business in Dubai is developing very quickly and is one of the most promising for investments, ignorance of the simple rules of the market can nullify all efforts. Typical mistakes of businessmen: opening a restaurant with unpopular offers (for example, a pizzeria of an unknown brand), too mediocre offers (may not be able to withstand the competition), insufficient attention to promoting the establishment. The restaurant should have a holistic concept, consistent style in the interior and menu, as well as an interesting entertainment program. Equally important is the balance between traditional cuisine and menu innovations. Unusual dishes attract new customers, while simple main dishes keep loyal customers. Choose your target audience, study the current offers on the market, think about what might be of interest to your guests and stick to the given strategy.

3.3 Competition and market growth during COVID-19

It has already been noted that the UAE restaurant market is developing very fast, so there are a lot of competitors. Therefore, owners and investors need to pay more attention to competitive strategies and competitive advantages. In general, tourists are increasingly choosing to rest in the Emirates, not only because there is an eternal summer, but also because of the high level of service. Therefore, those restaurants for which the wishes of guests and high standards come first will always be the market leader. It should also be added that Dubai is a city of luxury, tourists and businessmen go to this emirate to spend thousands of dollars and if the restaurant will provide the best service and will

surprise its menu, it will always be in demand in this market. One of the main competitors in the market is Ossiano, an upscale restaurant located in one of Dubai's finest hotels: Atlantis. A distinctive feature of this restaurant is the presence of three Michelin stars. Also, the restaurant is in great demand among visitors due to the chef of the Ossiano restaurant, who is famous all over the world. Since my investment project is a restaurant for high-income clients, we will analyze this particular category of restaurants. In a city where the most famous chefs of the world consider it an honor to open their own establishments, the choice of elite restaurants is truly huge. Firstly, basically all elite restaurants in Dubai have either a Michelin star or a famous chef in order to attract both as many businessmen and sheikhs as possible. Secondly, since it is difficult to surprise the majority of investors, businessmen and sheikhs with just good food, restaurants manage to come up with incredible distinctive features of their establishments. For example, stunning interior or a view of the famous Burj Khalifa from the observation deck on the 122nd floor. The competitive advantage of my investment project will be molecular cuisine. This means that ordinary products as well as dishes of Ukrainian, Japanese and Italian cuisine will be transformed in completely new variations and tastes. Moreover, my restaurant's specialty will be a huge aquarium with sharks. A huge number of advantages speaks for itself: doing business in Dubai is a smart move for any entrepreneur. But, speaking of all sorts of advantages of doing business in the UAE, you cannot overlook certain risks that may await you.

Businessmen consider the main disadvantages of this region:

1. Difficult summer climate. The tourist season dies down in the summer because at this time it is incredibly high, not only the air temperature, but also the humidity.
2. Doing business in Dubai is also complicated by some cultural, religious and legislative peculiarities of this country. For example, difficulties in obtaining a license to sell alcohol, Friday weekend, appearance requirements, etc.
3. The United Arab Emirates is still not Europe, but the Middle East. This means that there are several hot spots in the neighborhood, in which hostilities are being conducted and / or is wielding ISIS: Libya, Syria, Iraq, etc.

4. To start a business in Dubai, you need a decent start-up capital, since you cannot register a company without purchasing a license, paying a fee, providing share capital, etc. And this is not taking into account the costs of maintaining the office, salaries of the working team, etc. You should not count on a loan, unless you have collateral that is attractive to the bank.

And yet, the conditions for a profitable business in Dubai by the government of this region are excellent. The global economic crisis and quarantine have led to global losses in the tourism sector of the entire planet. Today, the very tourist season of 2021-2022 raises significant questions. But, the crisis is not only problems, but also great opportunities. The specificity of the crisis developing against the backdrop of the COVID-19 pandemic opens up new opportunities for those industries whose products or services are especially in demand during the pandemic or will be in demand in the new "post-covid" economy. These industries include, in particular, pharmaceuticals, healthcare, takeaway, and many others (Home | UAE Coronavirus (COVID-19) Updates, 2021).

The catering industry has been recognized as one of the worst hit areas by the pandemic in 2020. The spring lockdown and a sharp decline in tourist traffic dealt a serious blow to the restaurant business. It is already obvious that 2021 will be a decisive year for many establishments: those who have not managed to adapt to the current agenda will have to leave the market. At one point, all restaurateurs of this world realized that in order to survive in the era of the corona virus, you need to adapt to the conditions dictated by them. Since Dubai is a tourist center and capital of investments, then of course the demand for restaurants and cafes will always be, moreover, growth in this industry is predicted. The Dynasty restaurant is designed for people with above-average incomes as well as for businessmen who come to Dubai to conclude multi-billion dollar deals and, as a result, they become potential customers. Many restaurants have tightened security measures and increased sanitation enforcement. Changes related to security are likely to become our new reality. People will get used to wearing masks. Security measures will firmly enter our daily life, but the work of establishments in this regard will change little - the catering industry has always carefully monitored cleanliness and safety control. But the cost of maintaining establishments will increase. Given the continued risks of the

spread of COVID-19 in 2021, the establishments will continue to disinfect the premises, measure the temperature of the staff, and the visitors will be required to wear masks and other protective equipment. Increased safety requirements will remain at all stages of production: from purchasing products from suppliers to monitoring the well-being of kitchen and hall workers. Nowadays, most catering establishments have a contactless service: you can order delivery online on the website or in the application, after which the courier will leave the order with doors. The food delivery market will only continue to grow in the coming years. It will be possible to receive home not only food and ingredients for dishes, but also holiday offers with full serving. To quickly adapt to the realities of the lockdown, establishments had to quickly organize their own logistics, purchase cars, hire a staff of couriers and automate the process of collecting feedback. We can confidently say that in 2021 offers related to the organization of outdoor events will be popular - this is a solution allows guests not to abandon events, and for restaurants to stay relevant. "Contactless buffets" for the office and personal celebrations will flourish, some establishments will begin to offer a full-fledged organization of celebrations with food, decor and a show program. Regardless of the format chosen by the client, all employees will take COVID tests. The least strong fluctuations will be felt by premium-segment establishments, and the crisis will hit the hardest of all on young establishments without a concept and with unsettled processes: those that have not yet closed in this, most likely, will close next year. Restaurants with rare or unusual concepts will find it a little easier - people return to them not only for food, but also for atmosphere. But establishments organized on the principle of a buffet or specializing in buffets and self-service zones will not soon return to their usual rhythm of work. It is still very difficult to make any forecasts for 2021, and there is no way to influence the situation with the pandemic and the introduction of new restrictions on the restaurant business. cannot. The story with COVID-19 will definitely continue for some time, but what happens after it can hardly be called a complete recovery. Nevertheless, sooner or later, the industry will restore the previous monetary volume and new formats will appear, due to which the turnover will be compensated (Statistical Dashboards, 2021), (Tourism, 2021), (Home | UAE Coronavirus (COVID-19) Updates, 2021).

3.4 Estimated income calculation and assessment of the economic attractiveness of the investment project

To begin with, you need to calculate the initial investment (Table 3.1) And the monthly costs of the investor during the year (Table 3.2).

Table 3.1

Total investment

Sphere of investment	Price, USD USA
Purchase of a "ready-made business" 300 m ² with a 2008 lease agreement	600.000
Cosmetic repairs of the premises	15.000
Registration of documents, registration of the enterprise	20.000
kitchen equipment	54.000
furniture	35.000
Detergents	900
Uniform for waiters	2.500
Cutlery	3.800
Salary of construction workers	2.000
Marketing costs	6.000
Expenses for obtaining work visas for employees(in my restaurant there are 23 workers)	2.000*15=30.000
Minimum capital	13.700
TOTAL USD USA	782.900

Constructed by the author on the basis of his own calculations.

Since in the Emirates a fee of 12.5% from the employer (15% if the employer is a government agency) and 5% from the employee is due to GPSSA for UAE citizens. In the case of my investment project, 23 people work in my restaurant, 8 of them are UAE residents (4 cooks, 3 managers and one accountant) and I will need to pay 17.5 percent for social insurance in the UAE. On the other hand, the other 15 employees are not UAE residents and I, as an employer of a foreigner or a foreign employee, is not obliged to make any social security contributions in the UAE. In this case, there will be costs for opening work visas.

Table 3.2

Monthly expenses

Name	Price, USD USA
Room rental	$60.000 \times 12 = 720.000$
3 Manager	$(2.800 \times 12) \times 3 = 100.800$
Accountant	$4.000 \times 12 = 48.000$
4 cleaners	$500 \times 4 = 2000 \times 12 = 24.000$
2 guards	$400 \times 2 = 800 \times 12 = 9.600$
4 cooks	$2.500 \times 4 = 10.000 \times 12 = 120.000$
1 handyman	$300 \times 12 = 3.600$
10 waiters	$10 \times 500 = 5000 \times 12 = 60.000$
Utility costs	$3.000 \times 12 = 36.000$
Loan payments	$30.000 \times 12 = 360.000$
Unforeseen costs	$1.000 \times 12 = 12.000$
Liability to social security 17,5% from salaries of UAE residents	47.040
TOTAL for a year * in subsequent years, this amount will not be including loan repayment (\$ 360.000)	1.541.040 * taking into account the amount of depreciation, basic expenses for the second and third year = 1.201.540
Amortization	20.500
TOTAL	1.561.540

Constructed by the author on the basis of his own calculations.

Table 3.3

Amortization

Name	1 st year	2 st year	3 st year	4 st year	5 st year
Kitchen equipm ent 54.000 USD	$54.000/4 = 13.500$ $54.000 - 13.500 = 40.500$	$40.500 - 13.500 = 27.000$	$27.000 - 13.500 = 13.500$	$13.500 - 13.500 = 0$	
Furnitur e 35.000 USD	$35.000/5 = 7.000$ $35.000 - 7.000 = 28.000$	$28.000 - 7.000 = 21.000$	$21.000 - 7.000 = 14.000$	$14.000 - 7.000 = 7.000$	7.00 0- 7.00 0=0
TOTAL	$13.500 + 7.000 = 20.500$	$13.500 + 7.000 = 20.500$	$13.500 + 7.000 = 20.500$		

Constructed by the author on the basis of his own calculations.

Amortization:

1. Kitchen equipment 20.000 (4 years of amortization)
2. Furniture 35.000 (5 years of amortization)

It is planned that during the tourist season (8 months) the restaurant will be filled to 70% every day, which means that we will serve about 63 customers every day. Since the average bill per person is 100 USD in the tourism season will be:

(3.1),

1. $63 \times 100 = 6.300$ USD
2. $10.750 \times 242 \text{ days} = 1.524.600$ USD

And in the non-tourist season we will have such situation. During last for months (May-Aught) it is planned that the restaurant will be filled to 35% every day which means that we will serve about 32 customers every day.

(3.2),

1. $32 \times 100 = 3.200$ USD
2. $3.200 \times 123 \text{ days} = 393.600$ USD

It is planned that the income during the first three years of the restaurant will grow annually by 5%, as now there is a tendency to increase demand in the restaurant market in Dubai.

Tourist season (8 months):

(3.3),

1. 1st year = 1.524.600 USD
2. 2st year = 1.524.600 USD +5% = 1.600.830 USD
3. 3st year = 1.600.830 USD +5% = 1.680.871 USD

Non-tourist season (4 months)

(3.4),

1. 1st = 393.600 USD
2. 2st year = 393.600 USD +5% = 413.280 USD
3. 3st year = 413.280 USD +5% = 433.944 USD

As already mentioned, in the UAE there are almost no taxes, but there is a local tax in Dubai of 10%, which is levied on the income of restaurants, hotels and establishments that provide entertainment services. In addition, in 2018, 5% VAT was introduced. Therefore, these taxes will be taken into account in future calculations. Consequently, our restaurant will pay 15% taxes monthly. Therefore, we need to calculate potential income including taxes (Table 3.4)

Table 3.4

	Income after taxes		
	1 year, USD USA	2 year, USD USA	3 year, USD USA
Tourist season, 8 months	(1.524.600-15%)=1.295.910	(1.600.830-15%)=1.360.705	(1.680.871 -15%)=1.428.740
Non-tourist season (4 months)	(393.600 -15%)=334.560	(413.280-15%)=351.288	(433.944-15%)=368.835
Total for the year	1.630.470	1.952.118	2.049.706

Constructed by the author on the basis of his own calculations.

To calculate net income, we need to subtract annual costs from the annual income. I would like to emphasize once again that in years 2 and 3, the annual costs will not include the loan debt, since it will be paid off in the first year. Moreover, since my restaurant's revenue is going to rise by 5 percent every year, the costs will also increase by 5 percent. (Table 3.5)

Table 3.5

Annual costs + 5 %	
Year	Annual costs + 5%
1	1.561.540USD
2	1.201.540+5%=1.261.617 USD
3	1.261,617 +5%=1.324.697,85 USD

The next step is to calculate investment efficiency. Calculations of investment efficiency are in the Table 3.6.

Table 3.7

Initial data for calculating an investment project

Deposit rate 2,1%	Inflation rate 2,6%	Risk adjustment 10%
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Constructed by the author on the basis of his own calculations

Table 3.6

Investment efficiency

Indicators	Year			
	0	1	2	3
Investments USD	782.900	-	-	-
Annual income USD	-	1.630.470USD	1.952.118USD	2.049.706
Annual costs of USD	-	1.561.540 USD	1.261.617 USD	1.324.697,85 USD
Net income USD	-	68.930 USD	690.501 USD	725.008,15 USD

Let's calculate the discount rate

(3.5),

$$i = (1+0.021) * (1+0.026) * (1+0.01) - 1 = 1.021 * 1.026 * 1.01 - 1 = 1.05 - 1 = 0.06$$

Let's calculate the discount rate

(3.6),

- 1st year = $1/1.06 = 0,94$
- 2st year = $1/(1.06)^2 = 0,88$
- 3st year = $1/(1.06)^3 = 0,83$

Now you need to understand if this project is effective for this, we will begin to deduct cash flows (Table 3.8).

Table 3.8

Cash flows = depreciation + net profit.

Year	Depreciation USD USA	Net profit USD USA	Total USD USA
1	20.500	68.930	89.430
2	20.500	690.501	711.001
3	20.500	725.008,15	745.508,15

Constructed by the author on the basis of his own calculations.

The next step is to calculate discount cash flows. (Table 3.9)

Table 3.9

Discount cash flows = cash flows * discount rate

Year	Cash flows USD USA	Discount rate USD USA	Total USD USA
1	89.430	0,94	84.064,2
2	711.001	0,88	625.680,88
3	745.508,15	0,83	618.771,764

Constructed by the author on the basis of his own calculations.

NPV = discount cash flows – total investment

(3.7),

$$NPV=84.064,2+625.680,88+618.771,764-782.900=1.328.516,84-782.900=545.616,844$$

Since, $NPV > 1$ according to this indicator, the project can be recommended for investment.

(3.8),

$$TR = NPV + I = 782.900 + 545.616,844 = 1.328.516,84$$

$$AL = TR / TP = 1.328.516,84 / 3 = 442.838,948$$

$$PP = I / AL = 782.900 / 442.838,948 = 1,7$$

That is, in a year and seven months, our project will pay off.

Now we can calculate the profitability index, which is characterized by the efficiency of capital investment. And the higher is this indicator, the more expedient the project is.

PI = discount cash flows/ investment

(3.9),

$$PI = 1.328.516,84 / 782.900 = 1,6$$

$PI > 1$, which means this project needs to be accepted.

Thus, relying on all calculations, we can conclude that opening a hotel in Dubai is a very effective and cost-effective idea that will pay off in a year and 7 months. The project can bring profits even faster if the investor has more own funds, as in the first year of operation, we gave the loan capital of the bank. Profits can also increase if you pay

more attention on advertising. However, over time, more and more tourists will learn about our hotel, and it is likely that for the fourth year of operation, profits will grow not by 5% annually, but at least 7%. However, along with this, costs will increase, but in any case, the project will be profitable.

CONCLUSIONS AND PROPOSALS

Before making an international investment, the investor must assess the country's investment climate. To do this, it is necessary to analyze the economic, political, social environment and weigh all potential risks. Our restaurant project plans to operate in the UAE. This is a country that is called a "phenomenon" in the modern world, as no other country has managed to achieve such success in such a short time. To be convinced of this, it is enough to know only what the country's GDP has been for the last 50 years increased 400 times. This is a country where there is virtually no unemployment and poverty. There is always a supply and demand of labor. Inflation is consistently low here. However, the authorities clearly understand all potential problems and do everything it is possible to maintain the leading position for more than a century.

The country is doing everything possible to promote international investment, as it is additional funds in the budget. There are no most taxes, fairly simple and clear rules for doing business, no corruption, but there is a reputation as a reliable and rich country in which at least once the investor dreamed of doing business. The Emirates is now pursuing a successful policy of economic diversification, which means reducing the share of oil in GDP and, consequently, reducing dependence on "black gold". Most attention is paid to the agricultural and tourism sectors, as the country has a very good potential for the development of these industries. This is especially true of the tourism sector, as of today moment, the UAE is considered one of the resorts in the world, the demand for travel services which is constantly growing. Dubai is one of the most visited cities, and the Emirate authorities are actively promoting the annual increase in international tourists. For this reason, it was chosen for the investment project to open a restaurant in Dubai. An analysis of the city's restaurant market has shown that competition in this area is very high, but the ever-growing demand for travel services allows restaurant owners not to worry about this for many years to come. Since the city plans to build more than a dozen hotels and restaurants by the end of the year, in order to meet the needs of tourists. An analysis of the investment climate has confirmed that the UAE is a very good choice for investment. However, the investor must also make calculations in advance, estimate

possible costs and profits and much more before investing. So, having made the necessary calculations for our project, it was decided that opening a hotel in Dubai is a very efficient and cost-effective idea. Having invested in the project 782,900 thousand. dollars USA, the investor will be able to fully recoup it in 1 year and 7 months. This is provided that the investor has taken a loan. And if the hotel is opened at its own expense, the project will pay off even faster. The growth of demand in the restaurant market leads to an annual increase in profits by 5%. This is only in the first years of operation. Starting from the fourth year of operation, the restaurant owner can expect that almost all seats will be occupied, and therefore the annual profit will increase by at least 7%. At the same time, of course, costs will increase, however, revenues cover all costs, and therefore, the restaurant is efficient and profitable.

The analyzed project is quite successful. However, it is possible to further increase profitability by:

1. well-thought-out marketing strategy. The management of the restaurant should include more costs for advertising the institution itself and hire a marketer or turn to professionals to highlight the competitive advantages. This should be done in order to win over competitors in the market and encourage a larger audience;
2. pricing. Prices in the restaurant are average, however, given that the restaurant is located in a very prestigious and one of the most expensive areas of the city, the prices for the services provided can be safely increased. This will not reduce demand, as the country's authorities forecast the influx of tourists, control the activities of hotels, restaurants and pricing so that there is no excess supply or low demand;
3. increase reputation. Dubai is a city-brand, the image of which has been developed over the years. Every building and institution must correspond to this brand. The restaurant is just starting its activities, therefore, must from the first day of its existence declare itself as a prestigious, high level service and compliant with all Dubai standards, institution. This strategy allows not only in the short but also in the long run to attract guests. After all, he sells nothing and speaks for himself better than an excellent reputation.

Thus, summarizing all the above, we can conclude that opening a business, namely a restaurant in Dubai or in the country as a whole, is a very profitable idea. Of course, there are certain risks and obstacles, but on the part of the authorities of this country, every effort is made to make the investor feel confident and able to run the business successfully, replenishing the treasury of the Emirates. However, the investor, for his part, must abide by all laws and not follow them. It is then that he will be able to turn his idea into reality, and business into a permanent profit.

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