UNITED ARAB EMIRATES

The United Arab Emirates’ economic freedom score is 77.6, making its economy the 10th freest in the 2018 Index. Its overall score has increased by 0.7 point, with higher scores for the government spending and government integrity indicators outpacing small declines in judicial effectiveness and business freedom. The UAE is ranked 1st among 14 countries in the Middle East and North Africa region, and its overall score is above the regional and world averages.

To realize its ambition to diversify the economy and promote the UAE as a global trade and tourism hub, the government must build on earlier efforts to upgrade the business climate. State-owned enterprises need at least partial privatization, and the regulatory regimes governing the financial, real-estate, cyber, and free-trade zone sectors should be improved to enhance their appeal to foreign investors and visitors. Making the legal framework even more effective and independent should be another priority.

BACKGROUND: The United Arab Emirates is a federation of seven monarchies: Abu Dhabi, Ajman, Dubai, Fujairah, Ras Al-Khaimah, Sharjah, and Umm al-Qaiwain. The Federal Supreme Council selects the president and vice president for five-year terms with no term limits. Abu Dhabi ruler Sheikh Khalifa bin Zayed al-Nahyan has been president since 2004. In 2011, the government responded to protests calling for greater political participation by expanding the number of people allowed to vote in elections. Since 2012, the UAE has clamped down on social media activism. The UAE has an open economy with a high per capita income and a sizable annual trade surplus. Economic diversification has reduced the oil and gas sector’s portion of GDP to 30 percent.

ECONOMIC FREEDOM SCORE

77.6

▲ UP 0.7 POINT

WORLD AVERAGE

61.1

REGIONAL AVERAGE (MIDDLE EAST/NORTH AFRICA REGION)

61.5

NOTABLE SUCCESSES: Trade Freedom and Regulatory Efficiency

CONCERNS: Investment Freedom and Financial Freedom

OVERALL SCORE CHANGE SINCE 2014: +6.2

FREEDOM TREND

QUICK FACTS

POPULATION: 9.9 million

GDP (PPP): $668.9 billion

2.7% growth in 2016

5-year compound annual growth 4.3%

$67,871 per capita

UNEMPLOYMENT: 3.7%

INFLATION (CPI): 1.8%

FDI INFLOW: $9.0 billion

PUBLIC DEBT: 19.3% of GDP

2016 data unless otherwise noted. Data compiled as of September 2017
The United Arab Emirates has made property registration easier by increasing the transparency of its land registry. Each emirate establishes its own land ownership procedures. The judiciary is not independent, and court rulings are subject to review by the political leadership, but the rule of law is generally well maintained. The UAE is considered one of the region’s less corrupt countries.

The UAE has no income tax and no federal-level corporate tax. Different corporate tax rates exist for certain activities in some emirates. The overall tax burden equals 12.8 percent of total domestic income. Over the past three years, government spending has amounted to 31.2 percent of total output (GDP), and budget deficits have averaged 0.4 percent of GDP. Public debt is equivalent to 19.3 percent of GDP.

Reforms adopted in previous years have created a relatively efficient and well-functioning regulatory system. Employment regulations are flexible, and the nonsalary cost of employing a worker is not high. New labor laws that went into effect in 2016 make it easier for laborers to switch jobs. The government is phasing out fuel and electricity subsidies but continues its massive subsidies to UAE-based airlines.

Trade is extremely important to the UAE’s economy; the combined value of exports and imports equals 205 percent of GDP. The average applied tariff rate is 2.8 percent. Nontariff barriers impede some trade. Government openness to foreign investment is below average. The modern financial sector provides a full range of services. Capital markets are open and vibrant and are becoming more competitive.