

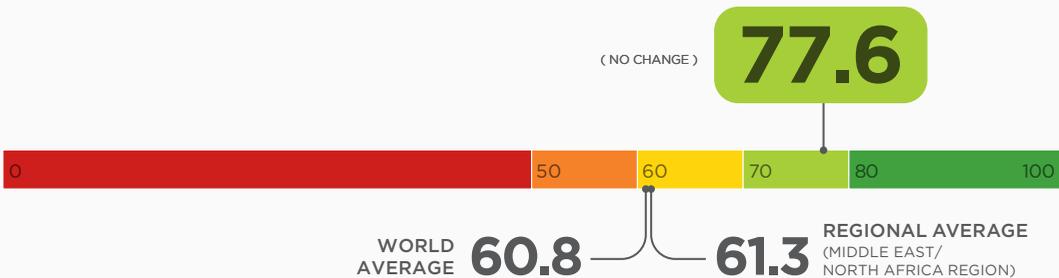
UNITED ARAB EMIRATES

The United Arab Emirates' economic freedom score is 77.6, making its economy the 9th freest in the 2019 *Index*. Its overall score remains unchanged from 2018, with higher scores for **property rights**, **judicial effectiveness**, and **government integrity** offset by a sharp decline in **fiscal health**. 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.

The government needs to build on earlier efforts to upgrade the business climate. State-owned enterprises need at least partial privatization, and improvement of the regulatory regimes governing the financial, real-estate, cyber, and free-trade zone sectors would enhance their appeal to foreign investors and visitors. Making the legal framework even more effective and independent should be another priority. A 5 percent value-added tax introduced in 2018 will increase government revenue but is likely to have a negative impact on the UAE's tax burden score.



ECONOMIC FREEDOM SCORE

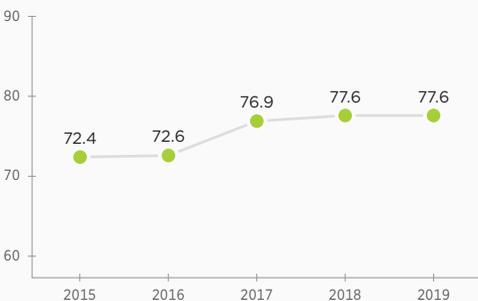


RELATIVE STRENGTHS:
Tax Burden and Fiscal Health

HISTORICAL INDEX SCORE CHANGE (SINCE 1996):
+6.0

CONCERNS:
Investment Freedom and Financial Freedom

FREEDOM TREND



QUICK FACTS

POPULATION:
10.1 million

GDP (PPP):
\$686.8 billion
0.5% growth in 2017
5-year compound annual growth 3.3%
\$67,741 per capita

UNEMPLOYMENT:
1.7%

INFLATION (CPI):
2.0%

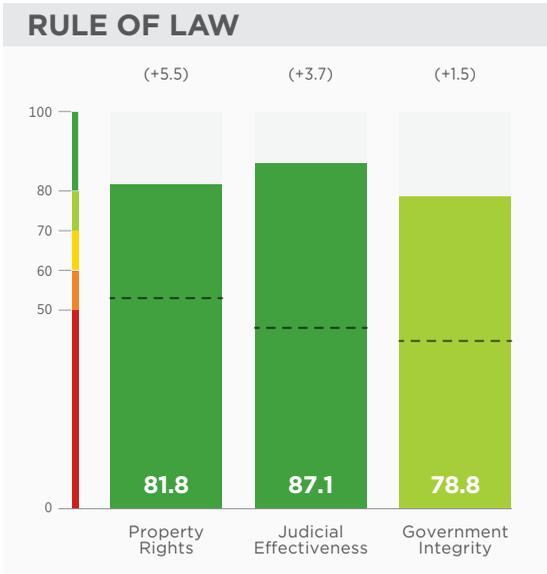
FDI INFLOW:
\$10.4 billion

PUBLIC DEBT:
19.5% of GDP

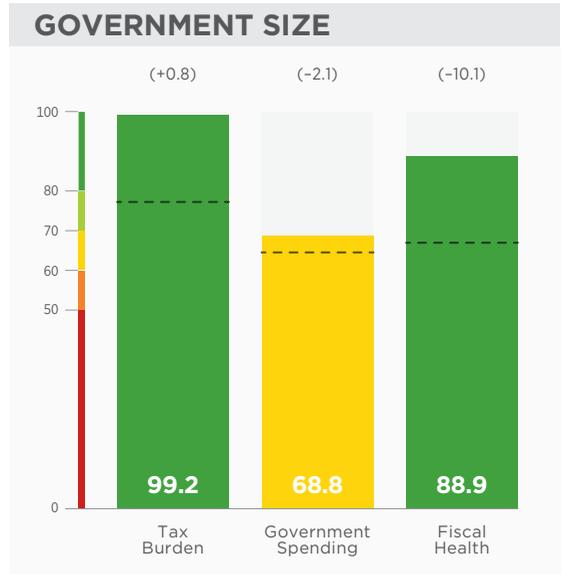
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: The United Arab Emirates (UAE) 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. 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. In 2018, Abu Dhabi launched the \$5 billion Ghadan 21 (Tomorrow 2021) development plan aimed at boosting competitiveness and entrepreneurship.

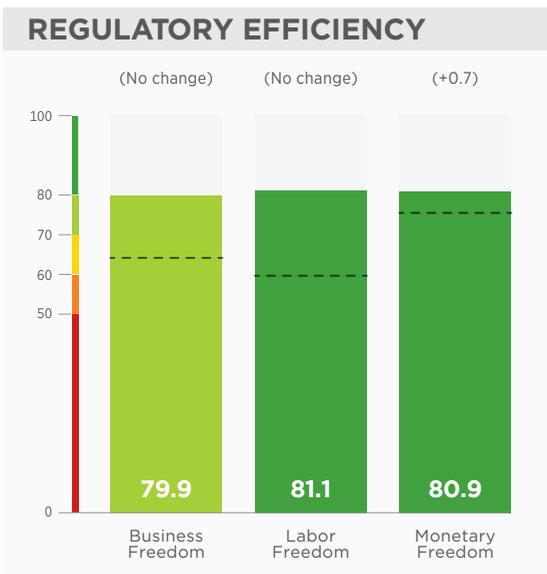
12 ECONOMIC FREEDOMS | UNITED ARAB EMIRATES



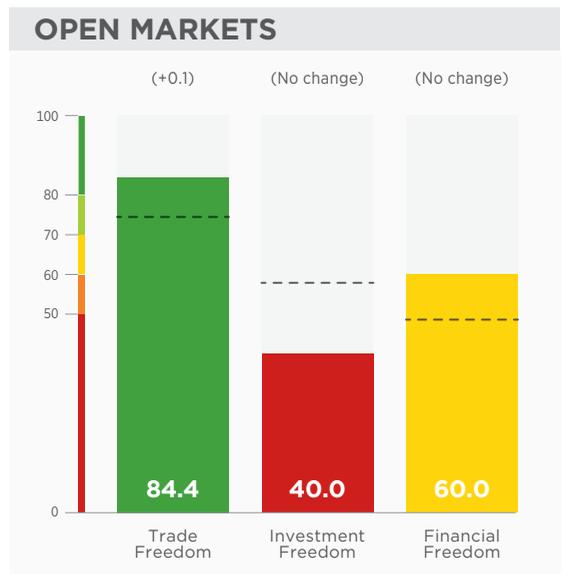
Each emirate establishes its own land ownership procedures. The judiciary is not independent, and court rulings are subject to review by the political leadership. Nevertheless, the rule of law is generally well maintained, and the UAE is considered one of the region's less corrupt countries. Nepotism and corruption persist, although several corruption cases involving former senior officials were opened in 2018.



The UAE has no income tax and no federal-level corporate tax. Different corporate tax rates exist in some emirates, and a new value-added tax has been introduced. The overall tax burden equals 8.9 percent of total domestic income. Over the past three years, government spending has amounted to 32.3 percent of the country's output (GDP), and budget deficits have averaged 2.6 percent of GDP. Public debt is equivalent to 19.5 percent of GDP.



Broad-based economic expansion has been underpinned by earlier efforts to strengthen the business climate and foster the emergence of a more diverse private sector. Employment regulations are relatively flexible, and the nonsalary cost of employing a worker is not high. The government signed an agreement with the U.S. in 2018 aimed at resolving claims by U.S.-based airlines that Gulf carriers have received unfair government subsidies.



The combined value of exports and imports is equal to 172.8 percent of GDP. The average applied tariff rate is 2.8 percent. As of June 30, 2018, according to the WTO, the United Arab Emirates had 69 nontariff measures in force. Investment efforts have focused on promoting private participation in nonoil sectors, but progress has been slow. About 91 percent of adult Emiratis have access to an account with a formal banking institution.