The United Arab Emirates’ economic freedom score is 76.2, making its economy the 18th freest in the 2020 Index. Its overall score has decreased by 1.4 points due to a lower government integrity score. The United Arab Emirates is ranked 1st among 14 countries in the Middle East and North Africa region, and its overall score is well above the regional and world averages.

The economy of the United Arab Emirates has slowly been climbing the ranks of the mostly free since 2013. The five-year average GDP growth rate had been expanding at a healthy 3 percent until the economy dipped in 2018.

Economic policy at both the federal and emirate levels will continue to focus on reducing the economy’s dependence on the hydrocarbons sector. In 2018, Abu Dhabi launched the Ghadan 21 (Tomorrow 2021) development plan, a three-year, $13.6 billion program that includes 50 initiatives intended to boost competitiveness and entrepreneurship.

**ECONOMIC FREEDOM SCORE**

![Graph showing economic freedom score of 76.2 with a downward trend of 1.4 points.]

**HISTORICAL INDEX SCORE CHANGE (SINCE 1996): +4.6**

**RECENT FREEDOM TREND**

![Graph showing recent freedom trend with scores from 2016 to 2020.]

**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. The oil and gas sector currently accounts for about 30 percent of GDP.
Privately held land parcels are recorded in an immovable property registry, and associated rights are protected by the government. Unregistered desert land is owned by emirate-specific governments. The judiciary is not independent. Court rulings are subject to review by the political leadership, but the rule of law is generally well maintained, and 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 in some emirates, and a new value-added tax has been introduced. The overall tax burden equals 9.2 percent of total domestic income. Government spending has amounted to 30.5 percent of the country’s output (GDP) over the past three years, and budget deficits have averaged 1.8 percent of GDP. Public debt is equivalent to 18.7 percent of GDP.

The UAE maintains regulations that are generally favorable to the formation and operation of private businesses. Foreigners account for more than 85 percent of residents and more than 95 percent of the private-sector workforce. Labor unions and strikes are prohibited. The UAE deregulated its monthly fuel price in 2015 to allow retail gasoline and diesel prices to track the price of Brent crude and to cut subsidies.

The total value of exports and imports of goods and services equals 161.8 percent of GDP. The average applied tariff rate is 4.8 percent, and 73 nontariff measures are in force. Steps to ease the 49 percent foreign ownership cap have been taken. The modern financial sector is competitive, offering diversified services. State-owned banks have maintained a strong presence, but foreign banks have over 100 branches around the country.