

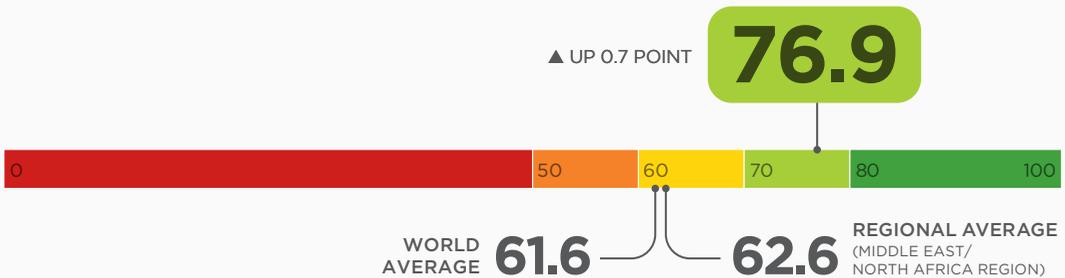
# UNITED ARAB EMIRATES

The United Arab Emirates' economic freedom score is 76.9, making its economy the 14th freest in the 2021 *Index*. Its overall score has increased by 0.7 point, primarily because of an improvement in **fiscal health**. The United Arab Emirates 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 economy of the United Arab Emirates has maintained its standing among the ranks of the mostly free this year. Additional economic freedom is essential, however, if the government is to succeed in diversifying away from reliance on the hydrocarbons sector. Substantial reductions in subsidy payments would likely raise *Index* indicator scores for government spending and monetary freedom. More regulatory openness to foreign investment would also be a plus.

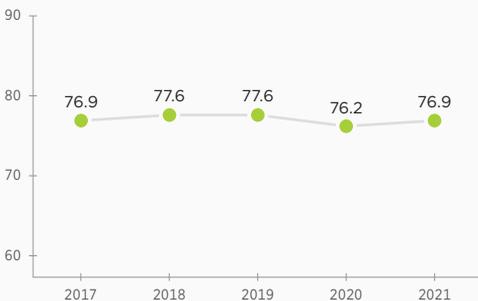
**IMPACT OF COVID-19:** As of December 1, 2020, 576 deaths had been attributed to the pandemic in the United Arab Emirates, and the economy was forecast to contract by 6.6 percent for the year.

## ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996): +5.3

## RECENT FREEDOM TREND



## QUICK FACTS

**POPULATION:**  
9.8 million

**GDP (PPP):**  
\$744.1 billion  
1.3% growth in 2019  
5-year compound annual growth 2.3%  
\$69,901 per capita

**UNEMPLOYMENT:**  
2.4%

**INFLATION (CPI):**  
-1.9%

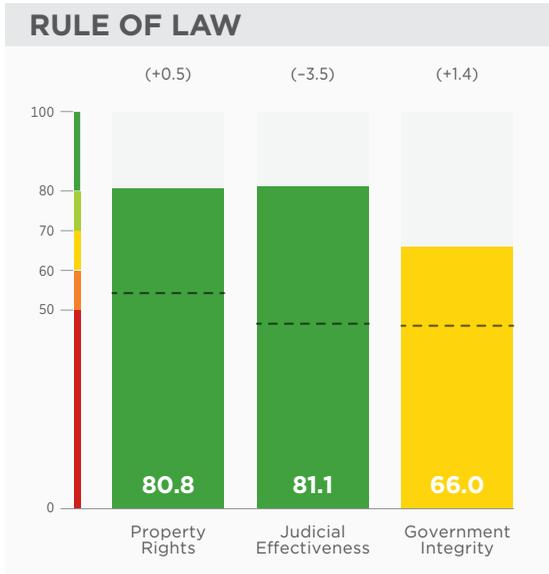
**FDI INFLOW:**  
\$13.8 billion

**PUBLIC DEBT:**  
26.6% of GDP

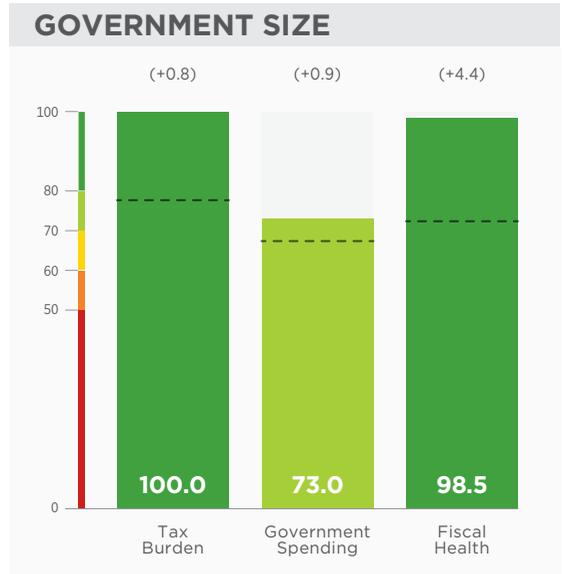
2019 data unless otherwise noted. Data compiled as of September 2020

**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, and there are no term limits. Abu Dhabi's Sheikh Khalifa bin Zayed al-Nahyan has been president since 2004. In July 2020, the UAE merged half of all federal agencies with other authorities and ministries. The UAE has an open economy with a high per capita income and a sizable annual trade surplus. Oil and gas account for about 30 percent of GDP. A peace agreement signed with Israel in September 2020 should clear the way for increased trade, investment, technological cooperation, tourism, and strategic cooperation against Iran, which both the UAE and Israel regard as the chief threat to regional stability.

# 12 ECONOMIC FREEDOMS | UNITED ARAB EMIRATES



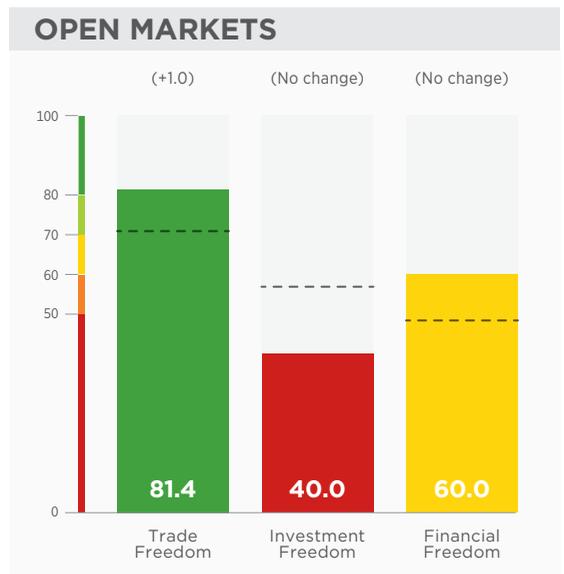
Mechanisms for enforcing property rights are predictable and fair, although each emirate establishes its own procedures for land ownership. The judiciary is not independent, and court rulings are subject to review by the political leadership, but the rule of law is generally well maintained. The UAE is one of the least corrupt countries in the region, but nepotism and corruption persist, and the government generally lacks transparency.



The UAE has no income tax and no federal-level corporate tax. Different corporate tax rates exist in some emirates, and a value-added tax has been in force since 2018. The overall tax burden equals 0.1 percent of total domestic income. Government spending has amounted to 30.0 percent of total output (GDP) over the past three years, and budget deficits have averaged 0.3 percent of GDP. Public debt is equivalent to 26.6 percent of GDP.



The United Arab Emirates has cut the fees for business incorporation. Lowering the number of inspections and using a risk-based approach have made it easier to deal with construction permits. Labor unions and worker strikes are prohibited. According to the IMF, the government was projected to spend 1.4 percent of GDP on subsidies in 2020.



The United Arab Emirates has four preferential trade agreements in force. The trade-weighted average tariff rate is 4.3 percent, and 73 nontariff measures are in effect. Efforts to attract greater foreign investment continue. The cabinet has designated 122 economic activities across 13 sectors as eligible for up to 100 percent foreign ownership. The financial sector is modern and competitive, and the presence of foreign institutions in banking is strong.