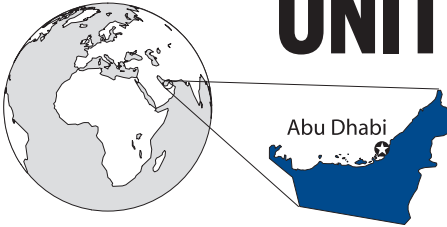
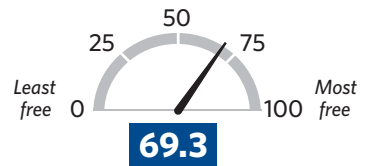


# UNITED ARAB EMIRATES



World Rank: **35** Regional Rank: **4**

## Economic Freedom Score



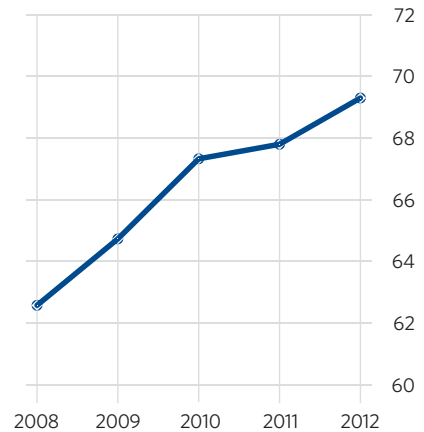
The United Arab Emirates' economic freedom score is 69.3, making its economy the 35th freest in the 2012 *Index*. Its score is 1.5 points higher than last year, reflecting improvements in property rights, monetary freedom, and labor freedom. The UAE is ranked 4th out of 17 countries in the Middle East/North Africa region, and its overall score is higher than the world and regional averages.

Continuing its trend of advancing economic freedom, the UAE registered one of the 20 best score improvements in the 2012 *Index*. Economic restructuring has been underpinned by efforts to strengthen the business climate, boost investment, and foster the emergence of a more vibrant private sector. The generally open trade regime has helped to sustain momentum for growth while controlling costs. The UAE aims to be a regional financial hub, and its banking sector has handled the recent financial turmoil comparatively well.

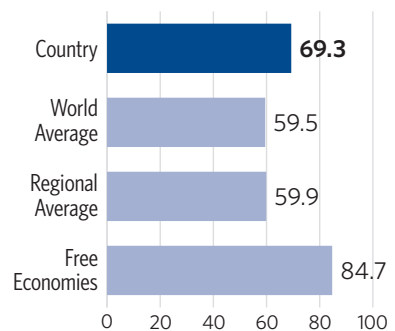
The UAE's overall economic freedom is curbed by shortcomings in the legal system and a burdensome investment framework. Foreign investment still faces various restrictions, and the judicial system, despite some progress, remains vulnerable to political influence. The level of corruption is relatively low, particularly in comparison to other economies in the region.

**BACKGROUND:** The United Arab Emirates is a federation of seven monarchies: Abu Dhabi, Ajman, Dubai, Fujairah, Ras Al-Khaimah, Sharjah, and Umm al-Qaiwain. Abu Dhabi accounts for about 90 percent of oil production and takes a leading role in political and economic decision-making; Dubai is the foremost center of finance, commerce, transportation, and tourism. Free trade zones that offer opportunities for 100 percent foreign ownership with zero taxation help to diversify the economy, but UAE nationals rely heavily on public-sector employment and subsidized services. Hydrocarbons still account for roughly 80 percent of total government revenues. In 2008–2009, the UAE was hit hard by falling oil prices, the collapse of a real estate bubble, and the global banking crisis, but the economy has slowly rebounded.

## Freedom Trend



## Country Comparisons



## Quick Facts

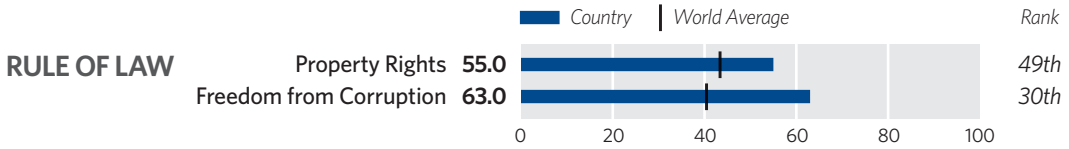
- Population:** 5.1 million
- GDP (PPP):** \$246.8 billion
- 3.2% growth in 2010
- 5-year compound annual growth 4.1%
- \$48,821 per capita
- Unemployment:** 2.4%
- Inflation (CPI):** 0.9%
- FDI Inflow:** \$3.9 billion
- Public Debt:** 20.9% of GDP

### How Do We Measure Economic Freedom?

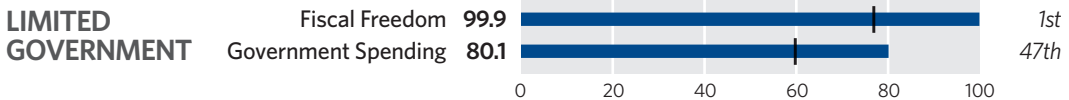
See page 455 for an explanation of the methodology or visit the *Index* Web site at [heritage.org/index](http://heritage.org/index).

2010 data unless otherwise noted.  
Data compiled as of September 2011.

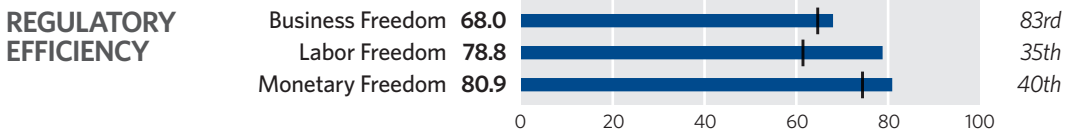
**THE TEN ECONOMIC FREEDOMS**



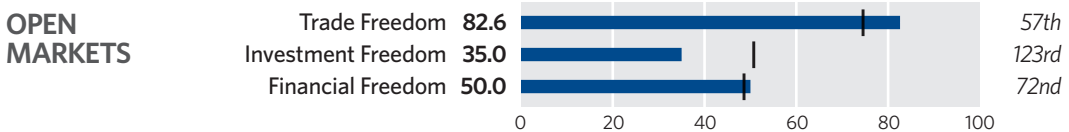
The rule of law is relatively well maintained, but the ruling families exercise considerable influence on the judiciary. All land in Abu Dhabi, largest of the seven emirates, is government-owned. According to a new resolution concerning property ownership in 2010, non-citizens are allowed the right to own, buy, sell, rent, and mortgage property and invest in special areas. Corruption is present at modest levels.



The UAE has no income tax and no federal-level corporate tax, but there are different corporate tax rates for certain activities in some emirates. There is no general sales tax, and the overall tax burden is quite low at less than 3 percent of GDP. Government spending is equivalent to 25.8 percent of total domestic product. Large oil revenues have kept the government budget in surplus and public debt at around 20 percent of GDP.



Regulatory efficiency has improved. There is no minimum capital requirement for establishing a business, and the process takes much less than the world average of 30 days. Licensing requirements have been streamlined and are less costly. Employment regulations are relatively flexible, and the non-salary cost of employing a worker is moderate. Monetary stability has been maintained, with inflationary pressure under control.



The trade weighted average tariff rate is modest at 3.7 percent, but lingering non-tariff barriers add to the cost of trade. Foreign investors do not receive national treatment. Except for companies in “free zones,” at least 51 percent of a business must be owned by a UAE national. The financial sector provides a full range of services, though the state presence is considerable. Capital markets are open and vibrant.

**Score Changes**

RULE OF LAW		LIMITED GOVERNMENT		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	+5.0	Fiscal Freedom	0	Business Freedom	+0.7	Trade Freedom	0
Freedom from Corruption	-2.0	Government Spending	+1.0	Labor Freedom	+6.4	Investment Freedom	0
				Monetary Freedom	+4.4	Financial Freedom	0