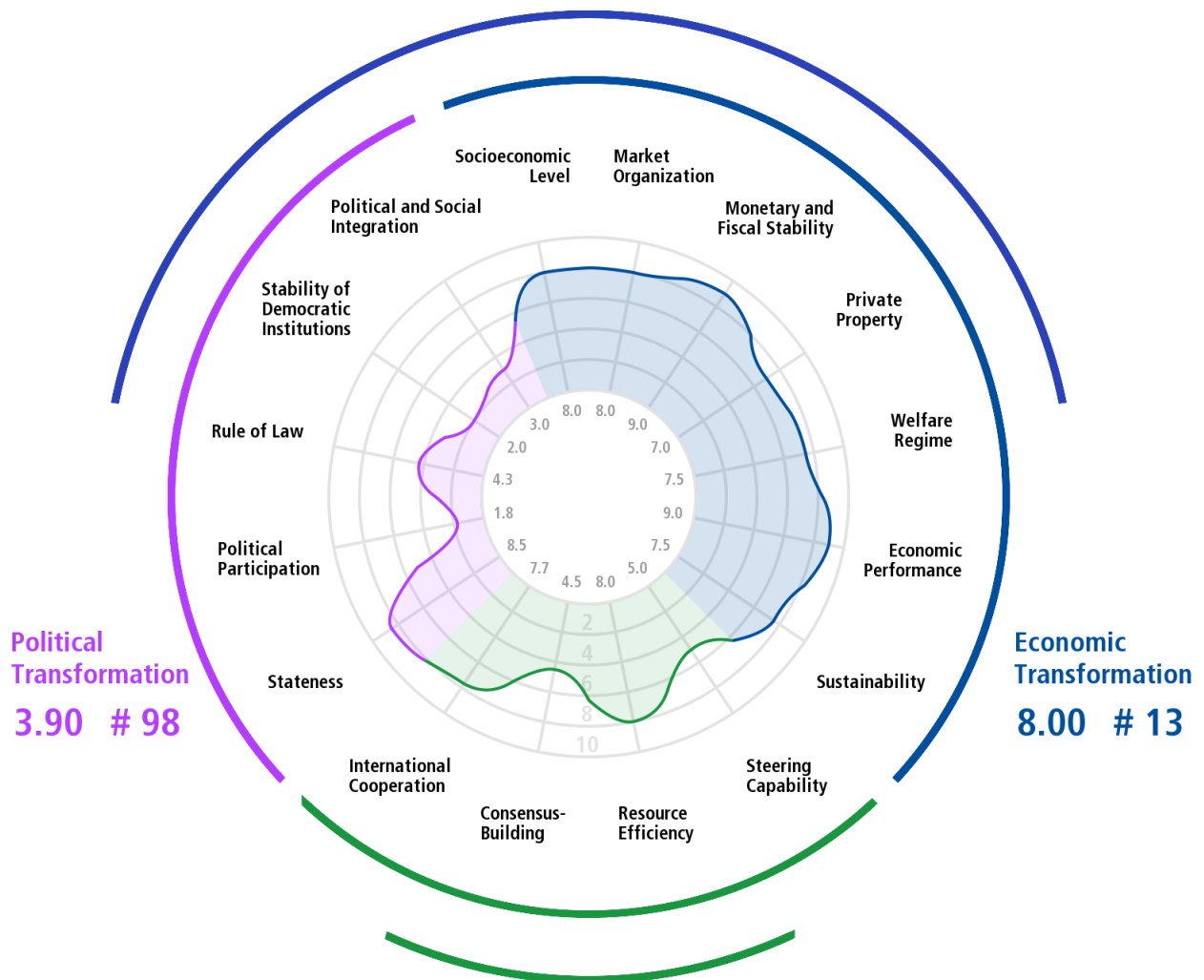


United Arab Emirates

Status Index

5.95 # 56

on 1-10 scale out of 137



Political Transformation
3.90 # 98

Economic Transformation
8.00 # 13

Governance Index

5.35 # 54

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2020**. It covers the period from February 1, 2017 to January 31, 2019. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

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Contact

Bertelsmann Stiftung
Carl-Bertelsmann-Strasse 256
33111 Gütersloh
Germany

Sabine Donner

Phone +49 5241 81 81501
sabine.donner@bertelsmann-stiftung.de

Hauke Hartmann

Phone +49 5241 81 81389
hauke.hartmann@bertelsmann-stiftung.de

Robert Schwarz

Phone +49 5241 81 81402
robert.schwarz@bertelsmann-stiftung.de

Sabine Steinkamp

Phone +49 5241 81 81507
sabine.steinkamp@bertelsmann-stiftung.de

Key Indicators

Population	M	9.6	HDI	0.866	GDP p.c., PPP \$	74943
Pop. growth ¹	% p.a.	1.5	HDI rank of 189	35	Gini Index	-
Life expectancy	years	77.6	UN Education Index	0.744	Poverty ³	% -
Urban population	%	86.5	Gender inequality ²	0.113	Aid per capita	\$ -

Sources (as of December 2019): The World Bank, World Development Indicators 2019 | UNDP, Human Development Report 2019. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.20 a day at 2011 international prices.

Executive Summary

On December 2, 2018, the United Arab Emirates celebrated its 47th National Day underscoring its growth and perseverance as a federal entity, and its position as a widely accepted member of the international community.

During the review period (February 2017 to January 2019), the UAE continued to make progress toward comprehensive development in the economic and social sphere, although it regressed on the political front. Slightly higher oil revenues and the introduction of a value added tax allowed the government to continue with its pro-growth and investment strategy, which is the basis for the country's economic stability. The reform steps that were introduced and implemented during the review period included a new industrial strategy, adjustments in the banking sector (e.g., a public debt law and audit regulations), a strengthening of anti-corruption legislation, a new law on domestic worker rights, the Young Innovative Companies Initiative and efforts to promote greater research collaboration in the higher education sector. The UAE also remains committed to overall social development, with more than 40% of the federal budget once again allocated to health care, education and other social services in 2019.

With 2019 named the Year of Tolerance, the UAE underlined its policy of promoting inter-religious dialog and greater cooperation among different social groups. The government has also reiterated its strong stance against extremism and called for joint action against terrorist activities and causes. The movement toward increasing the participation of women continued with 50% of the seats for the 2019 Federal National Council election allocated to women. The UAE cabinet contained nine female ministers as of January 2019. Finally, the country established a Council for Climate Change and the Environment following its ratification of the Paris Climate Accord.

A consistent factor guiding the UAE's development has been the country's competent and shrewd political management and leadership. Despite the continued volatility that has defined the Middle East strategic environment particularly since 2011, the UAE has been able to maintain a degree of widespread stability. The UAE continues to prioritize the creation of a competitive knowledge economy, the implementation of a first-rate education system, and balancing environmental

sustainability with infrastructure development, and economic and social development. Surveys in 2017 and 2018 in the Middle East, particularly among young people, highlight the UAE's appeal as a destination country in which to work and live.

The country's recent economic and social progress has, however, been accompanied by declining political openness, with political power increasingly centralized and the government responding repressively to any challenge to its authority. While some of these measures can be placed within the context of the 2011 Arab uprisings, and the determination of the UAE's leadership to prevent similar instances of instability and civil strife as witnessed throughout the rest of the Middle East, the emphasis on the consolidation of existing ruling arrangements at the expense of wider power devolution suggest a strengthening of authoritarian tendencies in the country. At the end of 2018, the UAE was still not a signatory to the International Covenant on Civil and Political Rights or to the Covenant on Economic, Social and Cultural Rights.

At the regional level, the UAE has taken on a more visible role in foreign and security affairs, which is increasingly scrutinized and not always seen as favorable by the international community. This includes the UAE's involvement throughout 2017 and 2018 in the civil wars in Yemen and Libya; its role in the boycott of Qatar, which has threatened the unity of the Gulf Cooperation Council; and its support for authoritarian regimes, such as that of President Abd al-Fattah al-Sisi in Egypt. This more militarized approach is contrasted by the fact that the UAE is the world's leader in terms of humanitarian assistance in relative terms and has taken the lead when it comes to promoting inter-religious dialog and tolerance. At the same time, the UAE was instrumental in bringing about a peace agreement between Ethiopia and Eritrea in 2018.

History and Characteristics of Transformation

The United Arab Emirates is a federation of seven emirates established on December 2, 1971, with Ras al-Khaimah, as the last and seventh emirate joining in early 1972. Given the historical animosity that characterized the relationship between the tribal regions of southeastern Arabia, the UAE was initially given little chance of survival as a federation. Yet, due to the leadership of Shaikh Zayid Bin Sultan Al Nahyan, who ruled the largest emirate, Abu Dhabi, from 1966 until his death in 2005, and, from 1971 until 2005, was the UAE's first president, the notion of a viable nation materialized over time.

While the UAE may at one stage been seen as an experiment of unification, it today represents a solidified nation-state and the only successful attempt at federation in the Arab world. The success and resilience of the UAE is largely due to the manner in which the government has been structured. Apart from policy areas such as foreign policy and national security, the constitution – initially provisional and only made permanent in 1996 – left sovereignty on issues of local administration, economic and social policy, and even control over each emirate's own mineral and oil wealth, with the individual seven emirates. This arrangement gave each constituent emirate the

assurance that the larger federal entity represented a distinct net benefit with respect to individual sustainability and prosperity.

Over time, there has been an increased willingness to expand federal jurisdiction in areas that have proved to be functionally necessary. In 1997, the emirates dissolved their individual defense forces and joined them under one central command. Similar consolidation has occurred with respect to labor, economic and educational policies. In 2006, targeted campaigns were started that encouraged identification with the nation-state and UAE identity. This has included a greater emphasis on the celebration of the annual independence day as well as the introduction of a UAE National Service Law in 2014.

The UAE's political system continues to be defined by the traditional patriarchal style of leadership that is comprised of political loyalties structured around the country's various tribal elements. On the federal level, the Supreme Council, comprised of the rulers of each of the seven emirates, is the highest executive and legislative authority. The country's president is the ruler of Abu Dhabi, the largest emirate both in terms of size and wealth, and as a result assumes the "natural" leadership role within the UAE. Other emirates do retain a certain amount of input within the decision-making process, in particular the second-largest emirate Dubai.

Economically, the UAE has made tremendous strides in its national development. Backed by the world's seventh-largest oil reserves and a small national population of slightly more than 1.4 million, the UAE has witnessed its GDP rise from \$46 billion in 1995 to \$382.6 billion in 2017. Driven by high earnings from oil in the decade from 2004 to 2014, the UAE has invested smartly in infrastructure and services, not only creating a modern country with all the amenities found in Western industrialized societies but also allowing itself to diversify the economy to the point that the non-oil sectors account for 70% of the country's GDP. The decline in oil prices starting at the end of 2014 have impacted overall economic growth but given its increased diversified nature this has affected the UAE economy relatively little.

Both its economic growth and political consolidation is driven by a determined commitment of the UAE leadership to be an active part in the process of globalization and to use the country's considerable oil wealth to sustain further development and assist in various economic diversification efforts. The indirect result has been the gradual implementation of and adjustment to fair economic practices, and an increased willingness to abide by legal standards governing business transactions.

Given its high per capita income and the high degree of internal legitimacy, which the ruling families of the UAE have, there has been little movement to diversify the political system and expand participatory mechanisms for the Emirati population. While the institutional capacity of governmental organs has been increased and improved, decision-making in the end remains completely centralized. Any attempts by citizens to petition the state, especially if done publicly, are denied and often dealt with harshly. Internal security services are omnipresent and current legislation forbids any criticism of the state or anything that can be classified as harming the

reputation of the country. Access to the political system is based almost exclusively on personal relationships and is therefore highly arbitrary.

The Arab Spring is seen by the majority of UAE citizens as having created greater instability throughout the Middle East. In particular, the UAE leadership has taken a determined stance against all forces associated with political Islam seeing such movements as a direct danger to the stability of the country and the wider region. The result is that most political discourse has become securitized with little indication that the current leadership will adjust its approach any time soon.

The country's significant youth population, along with globalization processes means that the UAE will continue to balance domestic economic and social reform, alongside internal and external criticism of its centralized political system. A key factor will be the UAE's position in the greater neighborhood of the Gulf and the Middle East. As external developments have a significant impact on the UAE's security, the country has in recent years taken a more pro-active approach to foreign policy issues (e.g., with regard to issues concerning Yemen, Egypt and Qatar) in order to ensure that UAE interests are more consistently pursued. Such expanded involvement in external issues carries with it the potential of a shift away from the consensus-oriented policies of the past to a more confrontational approach in the near future. Taken together, more attention will be focused on the UAE than has been in the past.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

Transformation Status

I. Political Transformation

1 | Stateness

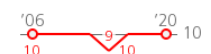
The UAE state through its security forces has a complete monopoly on the use of force over its territory. There are no areas in which any organizations or opposition groups infringe on that control. As in previous years, no threat to the UAE's stability occurred in 2017 or 2018. Due to both extensive investment in personal and technology, security services are omnipresent and regularly undertake actions against anyone suspected of potentially undermining the stability of the country, often preemptively. Particular attention is paid to individuals or groups with an Islamist background, such as al-Islah, the UAE's branch of the Muslim Brotherhood. While UAE nationals are given long prison sentences or have their citizenship taken away, foreigners are either jailed, swiftly deported or both, if they are suspected of engaging in any activity that might develop into a threat or have the intent of harming the country in any way. This includes a number of terror suspects convicted by Abu Dhabi courts in October 2018.

UAE nationals accept the nation-state as legitimate almost without exception. In addition, there exists broad agreement as to the concept of citizenship and who has the right to be a UAE citizen. Where there is divergence on the right to obtain citizenship outside of birth. In principle, while citizenship is available to foreigners who have lived in the UAE for a minimum of 20 years, there is no institutional mechanism for being naturalized. Instead, most naturalizations take place on the whim of the leadership on an individual basis, meaning that the process itself is highly arbitrary.

There are several caveats that must be considered on the issue of citizenship. First, society remains structured along tribal identification lines, with the result that allegiance is not pledged solely, or even primarily, to the state. Instead, the UAE is characterized by patriarchal rule with allegiance pledged to tribal leaders, the leaders of the individual emirates, and the leaders of the federation. The government relies on this tribal structure to secure pledges of loyalty and to rein in members who might

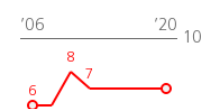
Question
Score

Monopoly on the
use of force
10



1

State identity
7



1

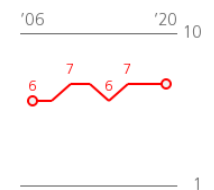
challenge the state to any degree. Second, there are differences between those that can show their original Emirati descent and those that have been naturalized. Thus, a UAE citizen is not necessarily treated the same, for example, when it comes to securing state benefits or employment opportunities. Third, while article 14 of the constitution specifically guarantees “equality for all before the law, without distinction between citizens on the basis of race, nationality, religion or social status,” there are unspoken and undefined criteria by which ethnic or religious minorities are denied aspects of their civil rights as citizens of the country. The UAE has in the past stripped its own nationals of their citizenship for engaging in what have been deemed illegal political activities, although no such steps occurred in 2017 or 2018. Fourth, as mentioned above, naturalization procedures are ill-defined. There are a significant number of residents in the country who lack citizenship, including people mainly of Iranian or Asian origin who have lived in the UAE for longer than three decades. While the government has indicated it has considered increasing the number of naturalizations, no action to this end was taken during the review period.

The UAE legal system is based both on civil laws and Islamic legislation. While the state functions as a secular order with modern institutions, the ruling elite uses Islam as a basis of legitimacy, and has thus, in one form or another, integrated religious dogmas into the legal and political sphere. Islamic Shariah courts play a role in personal status cases, but also deal with criminal cases and labor and commercial disputes. While trying to protect its Islamic heritage against a majority population that is foreign, the UAE does remain a culturally tolerant and open society. In practice, there are more than 70 churches in the UAE. In June 2017, the Crown Prince of Abu Dhabi renamed the Sheikh Mohammed Bin Zayed Mosque the Mary, Mother of Jesus mosque. The country has officially created the post of minister of tolerance with Minister Sheikh Nahyan bin Mubarak Al Nahyan writing in January 2019 ahead of the February 2019 visit of Pope Francis to the UAE that “the UAE embodies tolerance and cooperation in a world characterized by heightened tension and increased divisions.” It was also announced that 2019 would officially be known as the Year of Tolerance, with a series of legal reforms, policies and specific projects to be implemented.

In addition to promoting inter-religious dialog, the UAE also takes a very strict stance against forms of extremism. Foreign Minister Shaikh Abdullah Bin Zayed Al Nahyan speaking at the 73rd Session of the United Nations General Assembly in September 2018 reiterated the UAE’s “unwavering and unequivocal rejection of both extremism and terrorism.” The UAE continues to be a member of the international coalition against the Islamic State (IS) group and has set up numerous organizations and programs, such as al-Hedayah to counter violent extremism in all of its forms. Overall, religious dogmas in the UAE do not interfere with the practical process of governance.

No interference of religious dogmas

7

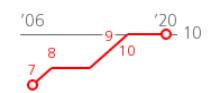


1

In the UAE, a sophisticated and differentiated administration, which is able to provide all basic public services, exists throughout the country. In fact, there are continued efforts by government agencies to improve and expand on currently available services. UAE Prime Minister Sheikh Mohammed Bin Rashid Al Maktoum stated in 2018 that government entities in the UAE must provide the world's best service and underlined that it is the UAE's aim to serve as a global benchmark for the provision of government services. Through World Government Summits (held annually in the UAE since the inaugural meeting in February 2015), the country tries to outline an agenda for the next generation of governments focused on harnessing innovation and technology. Overall, the UAE government operates according to specific strategic plans with the aim of achieving balanced and durable development and providing prosperity to the country's citizens. Progress toward the "National Vision 2021," a national planning document issued in 2010 outlining 12 key performance indicators centered around six clusters (cohesive society and preserved identity, safe public and fair judiciary, competitive knowledge economy, first-rate education system, world-class health care, and sustainable environment and infrastructure) is regularly measured through executive committees and government retreats, the last one coming in November 2018. The government's clearly stated objective is to position the UAE as one of the top 10 countries worldwide in GNI per capita, as part of the Global Competitiveness Index, and the Global Entrepreneurship and Development Index. The UAE State Audit Institution is tasked with ensuring that government departments are managed efficiently and a "Star System Rating" has been introduced to assess government performance. While some degree of duplication of services exists due to the country's federal nature (e.g., Dubai and Ras al-Khaimah maintain their own judicial systems outside the federal control), this duplication is minimal.

Basic
administration

10



1

2 | Political Participation

The UAE does not conduct elections at the executive level meaning that citizens do not have the right to change their government. Each of the seven individual emirates is ruled by a hereditary family with the leader chosen from among the tribe's family members. The Supreme Federal Council, the highest federal authority, is comprised of the rulers of the seven emirates and chooses the president of the country. Elections are held at the legislative level of the Federal National Council (FNC). The FNC's powers are limited, with its official mandate being to deliberate over certain aspects of legislation. As such, the FNC does not serve as a balance to the government's executive functions. Elections for the FNC were introduced in 2006 with the next election slated for 2019. These elections are restricted at two levels. For one, citizens only elect half the candidates in their emirate, with the other half appointed by the respective ruling family. Second, the electorate is selected among designated UAE nationals who are then allowed to vote for the candidates. In practice, this means that during the last election in October 2015, only 24% of UAE nationals (about 225,000

Free and fair
elections

2



1

voters) were eligible to vote of which only slightly more than 35% actually cast a ballot. A further expansion of the electorate is expected for the 2019 election.

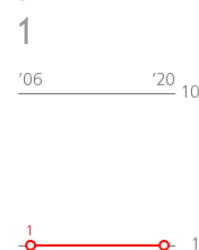
As a way of continuing the process of women's empowerment, 50% of the FNC members after the 2019 election will be women. A formal election law to guide future electoral processes has, however, not been issued meaning that elections are carried out on the basis of executive decrees. Moreover, the government responds harshly to any type of public demand for broader political rights, for example, by arresting activists and sentencing individuals to long prison terms. As such, expanding participatory political rights is not on the UAE government's agenda.

There has been no change from previous review periods in terms of the UAE rulers' supreme decision-making powers, without restrictions on their ability to govern. Ruling arrangements remain hereditary and there have been no indications that any form of elected government will be introduced. This is because the combination of a small national population (UAE nationals make up approximately 1.2 million of the total population of 9.5 million) and significant financial resources (GDP per capita of more than \$40,000) extends a high degree of legitimacy to the ruling families alongside a strong societal consensus about their right to govern. Despite a recent tendency to centralize decision-making even further, ruling families will still operate on some consensus basis meaning that certain tribal considerations (e.g., the interests of powerful business families) are taken into account. This is seen as a mechanism to further extend their ability to govern.

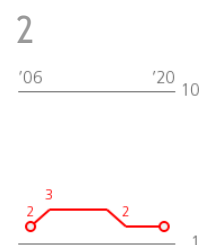
There has been a rising level of criticism from external actors (e.g., members of the European Parliament and Human Rights Watch) regarding the lack of political rights in the country. However, such criticisms are largely ignored and do not impinge on the ruling families' ability to govern. While there are few people that question the right and ability of the rulers to govern, this is indeed very small and as a result is unable to exert any pressure on the government to change its current course.

While the UAE constitution explicitly recognizes the right of assembly (article 33), the government imposes severe restrictions on both the rights of assembly and association. Political organizations, political parties and trade unions are illegal. Permission is required before organizing public activities or joining regional and global networks, and the government regularly monitors all private activities of association members. Since 2011, numerous organizations have been dissolved or banned and other have seen their executive boards replaced with government appointees, for example the Jurists Association and the Teachers Association. Members of the local Muslim Brotherhood al-Islah group have been sentenced to long terms in prison for endangering the security of the country. National as well as foreign citizens are regularly detained using the country's broad anti-terrorism legislation or on accusations of espionage. This has included Australian, Sri Lankan, U.K. and U.S. nationals during the current review period. For migrant workers, strikes have been dealt with harshly, with strike leaders imprisoned and alter

Effective power to govern



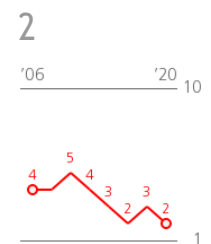
Association / assembly rights



deported. While authorities do respond to some of the international criticism, the implementation of reforms is arbitrary. As such, the level of freedom of association remained very low during the review period.

Officially, the UAE constitution guarantees all citizens “freedom to hold opinions and expression of the same” as well as “freedom of communication.” The reality is quite different. The 2019 Human Rights Watch World Report specifically states that “UAE authorities have launched a sustained assault on freedom of expression and association since 2011.” New laws have been promulgated that not only prohibit criticism of the ruler and any speech that may encourage or create unrest, but anything that can be judged to damage the reputation of the country. Censorship including self-censorship is widespread. Anti-terrorism legislation provides for the death penalty or life sentence for any act judged to have been intended “to undermine the stability, safety, unity, sovereignty or security of the state.” It further provides for temporary imprisonment for “whoever declares by any public means his enmity to the state or regime, or his non-allegiance to the leadership.” UAE authorities apply extensive surveillance technologies against activists both domestic and foreign. A Reuters investigative report released at the end of January 2019 unveiled a clandestine surveillance system named “Project Raven,” which used former U.S. intelligence operatives to spy on dissidents, activists and journalists. In May 2018, authorities sentenced Ahmed Mansoor, a UAE human rights activist, to 10 years in prison. The country is ranked 128 out of 180 countries in the 2018 World Press Freedom Index, having fallen 41 places in six years.

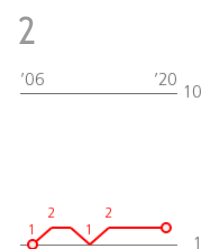
Freedom of expression



3 | Rule of Law

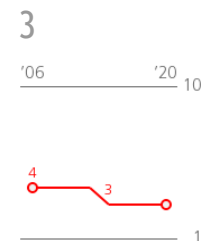
Power in the UAE is solely concentrated in the individual ruling families, with only minimal dispersion through the federal system or through the various organs of government. There is no formal system of checks and balances, and while the legislative and judicial branches of government can issue individual decisions, they rarely depart from line prescribed by the executive. There also exists no constraint for the executive in case of any dissent. The central role of members of the ruling families at all levels of government is reminiscent of a system of dynastic polities. There is also no clear dividing line between the public and private sectors with many members of the ruling families involved in private business. The government has allowed for a very limited expansion of the political system, for example, in terms of the electorate for the country’s parliament, the Federal National Council, but no further steps were announced or implemented in 2017/2018. The UAE’s specific federal structure allows for some (minimum) power separation on the emirates’ level. Abu Dhabi and Sharjah have regional National Consultative Councils with similar tasks and responsibilities as the Federal National Council. Yet, their impact on the policy process remains severely limited.

Separation of powers



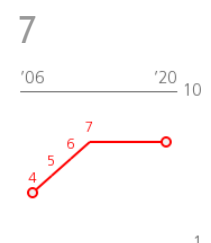
Although the UAE constitution provides for an independent judiciary, with article 94 stating: “In performing their duties, judges shall be independent and shall not be subject to any authority but the law and their own conscience” court decisions are in fact subject to review by the political leadership. The 1983 Federal Judicial Authority Law No. 3 grants the executive the authority to establish courts and to appoint and transfer judges, thereby violating the principle of separation of powers. Other issues in the judicial realm include the lack of clear jurisdiction (with federal courts existing in all emirates except for Dubai and Ras al-Khaimah, where only local courts are allowed); the application of arbitrary and unlimited detention; a lack of clear laws in areas such as fraud, personal and corporate bankruptcy, and layoffs; and a limited right to legal counsel for defendants. In addition, state security courts are used in case of violations against anti-terrorism legislation which gives the government a wide leeway in terms of applying such laws. Criticism such as those of U.N. Special Rapporteur on the Independence of Judges and Lawyers Gabriela Knaul in 2015 are responded to with a pledge to make the UAE’s judicial system more transparent and objective but the actual implementation is arbitrary and slow. The 2017 to 2018 World Justice Project’s Rule of Law Index ranks the UAE judiciary 32 out of 113 countries reviewed globally with persistently low rankings on fundamental rights and constraints on governmental power.

Independent judiciary



The UAE constitution states that the protection of public resources is the duty of every UAE citizen, and UAE ministers are prohibited from engaging in private dealings with the government while in office. Overall, the government has the effective means to investigate and punish abuse as well as corruption and does take steps to stamp out such practices. An Audit Bureau was established in the 1990s to take action against abuses of power. In May 2015, an anti-corruption unit was established within the Abu Dhabi Accountability Authority (ADAA). In the wake of the 2008/09 global financial crisis, high-profile anti-corruption cases were made public, including against a former governor of the Dubai International Financial Center. Since then an anti-corruption law has come into effect and further cases of prosecution have been undertaken. In December 2018, Federal Decree No. 24 of 2018 amended certain provisions of Federal Law No. 3 of 1987 in order to strengthen anti-corruption legislation and bring it in line with other jurisdictions. The new code now includes foreign public officials, applies to bribery outside the UAE and allows UAE authorities to confiscate the proceeds of crime. As a result, there are regular reports of officials being arrested for taking bribes. While on the surface, the UAE has taken the lead in the region against corruptive practices, the evaluation of the effectiveness of the policies is at times contradictory. Thus, while international organizations acknowledge that progress has been made, there are equal references to the fact that money-laundering practices and other criminal activities are still being conducted.

Prosecution of office abuse



Articles 29 through 34 of the UAE constitution guarantee freedom of worship and religion, freedom of opinion, freedom of movement and residence, and the right to assemble, albeit within the limits of the law. UAE officials have repeatedly stressed their commitment to protecting those rights.

Given that the UAE counts more than 200 nationalities as part of its population, there is widespread tolerance of different cultures. Unlike its neighbor Saudi Arabia, for example, numerous places of worship for different faiths exist for a range of denominations with little interference from government. The UAE has put a lot of emphasis on the promotion of inter-religious and intercultural dialog and has named 2019 the Year of Tolerance, with new legislation and government activities planned throughout the year.

Overall, people in the UAE are free to pursue their individual goals and interests, but their civil liberties are quickly curtailed at will by the authorities if they suspect any political motivation or consider certain action to be a danger for internal stability. This applies to UAE nationals as well as non-nationals. Many of these cases have been prosecuted under new anti-terrorism laws, with individuals charged with threats against state security. For example, Ahmed Mansoor and Nasser El-Ghaith were both sentenced to long prison terms in 2017. In addition to UAE nationals, foreigners have encountered similar treatment, including immediate deportation, jail terms followed by deportation, or being barred from entering the country due to political views or previously published works. For example, the arrest, life imprisonment and eventual pardon of U.K. scholar Matthew Hedges made headlines in 2018.

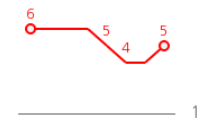
In terms of the large groups of migrant labor and female domestic workers, instances of abuse and exploitation persist although the state has taken numerous legislative steps to prevent such practices. A new law on domestic worker rights was approved in September 2017, which guarantees a weekly rest day, paid annual vacation and allows for the inspection of recruitment agencies. This will improve in particular the lives of at least 146,000 female guest workers who work in Emirati households. However, since the law does not define clear punishments for violating the law, it remains questionable whether it will bring relief to female guest workers in practice. Also, it did not touch the overall kafala (sponsorship) system, which has been widely criticized for depriving blue-collar guest workers of fundamental rights in the UAE, despite some legal improvements adopted in 2015.

The UAE is still not a signatory to major international human rights instruments such as the International Covenant on Civil and Political Rights or the International Covenant on Economic, Social and Cultural Rights.

Civil rights

5

'06 '20 10

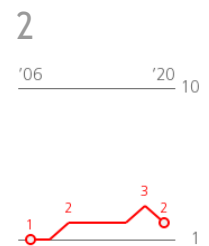


4 | Stability of Democratic Institutions

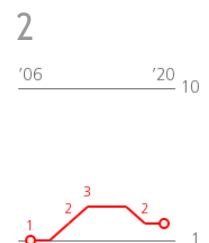
In essence, the UAE represents an authoritarian government with power completely centralized within the ruling families of the individual emirates. Nevertheless, there are some caveats to such a statement. For one, the ruling families are seen as highly legitimate, and there is strong support for the performance of government institutions. Leading government officials, in particular the Prime Minister and Ruler of Dubai Sheikh Mohammed Bin Rashid Al Maktoum, repeatedly stress the need to improve on such performance, for example the “UAE Vision 2021” strategy. Thus, while no democratically elected institutions exist, the supporting administrative system functions well and with little friction. Second, there is no concerted push for instituting widespread political reforms. UAE citizens are largely content with the way political decisions are made and implemented. The government also makes an effort for a broader national dialog and has included larger numbers of UAE nationals in the decision-making process. While this process extends to the UAE system a high degree of internal legitimacy, the contours of political development are provided with the state and possible reform steps are evaluating in terms of their impact on the security and stability of the existing ruling system.

The government institutions of the UAE are legitimate and accepted by a strong majority of the population. The rulers have been successful in promoting patron-client relationships in which the stability of the polity is directly related to the preservation of social status and economic privileges among UAE nationals. In its National Charter document outlining the UAE’s Vision 2021, the government calls for the cultivation of confident and socially responsible nationals and citizens whose actions benefit the common goodwill. The document also refers to strong and vibrant communities as well as the need for commitment to the ideals of the UAE union. There is little reference, however, to the building democratic institutions or of gradually expanding political rights. Some emphasis has been placed on the improvement in the rule of law and expanding participatory rights such as the elections for the country’s Federal National Council. Yet, the government does not feel the necessity of moving forward with more widespread political reforms. On numerous occasions, UAE officials have stated that a democratic system of government is not compatible with the traditions of the UAE and Arab Gulf states. Minister of State for Foreign Affairs Anwar Gargash clearly stated in August 2012, “the UAE’s end goal is not a liberal multiparty system. This model does not correspond to our culture or historical development.”

Performance of democratic institutions



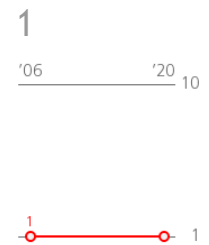
Commitment to democratic institutions



5 | Political and Social Integration

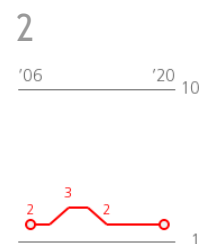
The formation of political parties in the UAE is not allowed. In fact, political parties are regularly portrayed by government leaders as polarizing and as threatening the unity of the state and the cohesiveness of society. In the absence of political parties, the formation of societal consensus takes place through established patron-client networks. The system in place has proven successful in maintaining the stability of the state over the period of its consolidation with the result that UAE leaders see little necessity in reforming existing arrangements. Still, there exists an awareness within the government that as the population grows and becomes more diverse, the process of governance also needs to adjust. Therefore, a continual review of government policies is undertaken. This, however, cannot be equated with any suggestions that a political party system might be necessary.

Party system



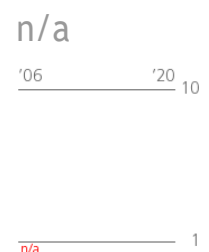
Interest groups, within the context of civil society, play a very limited role within the UAE and have no impact on the governing system in the country. This situation did not change during the 2017 to 2018 period. Overall, associational life remains weak and the public space between the nuclear family and the state is sparsely populated. Engagement on social issues is encouraged but any forms of association that are political in nature are strongly discouraged. While prior to 2010, the government did consider a legal framework with regard to the establishment of non-governmental organizations, since that time and in particular after the political turmoil in the region as a result of the “Arab Spring,” has put such consideration on an indefinite hold. At times, the government has actively interfered in the work of certain organizations, such as disbanding the board of the UAE Jurists’ Association in 2012 and cancelling the licenses of several foreign non-governmental organizations. Interest groups do operate in various social segments but these groups do not exert any political influence.

Interest groups



Survey data on the attitude of the national population toward the concept and idea of democracy has not been available in the UAE since 2011. The last data available is from a survey conducted in 2010 and 2011 which indicated strong support, especially among youth, for the implementation of democratic practices, with 92% of youth from 10 Arab countries including the UAE saying that democracy was very important for them. The government has pushed the idea that democracy in its western form would not be compatible with the UAE political system and has insisted on a managed form of gradually expanding some aspects of political participation. Following protests in parts of the Middle East, the push for political reforms has been dampened as UAE nationals saw little need to endanger their secure and comfortable lifestyle. Symptomatic of the declining attitude toward the concept and idea of democracy was the results of the 2018 Arab Youth Survey, which in contrast to its predecessor in 2016 found that most young people see the region developing in a negative direction as a result of the outbreak of the Arab Spring.

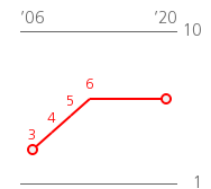
Approval of democracy



There is a high level of trust among UAE citizens, which results both from the growing consolidation of the United Arab Emirates as a single country, and from citizens' need to differentiate themselves from the rest of the population, up to 90% of which is composed of expatriate laborers. There is a strong debate in the country focused on strengthening UAE national identity, with the Ministry of Culture, Youth and Community Development firmly focused on that goal, particularly among the nation's youth. One of the ministry's "Young Innovations" programs seeks to provide tools to promote creativity and encourage the youth to contribute in spreading the UAE's cultural values. Overall, the government has made it a central component of its work to promote identity and social cohesion among its citizens, although this has not resulted in the establishment of autonomous associations that reflect a variety of societal interests. In 2015, the UAE introduced a national service under which each UAE national is required to undertake military service including females. According to the UAE's 2021 Vision, the goal of the government is to reach a composite index measuring pride and sense of belonging among UAE nationals of 100%. In the last measurement in November 2014, it stood at 90%.

Social capital

6



II. Economic Transformation

6 | Level of Socioeconomic Development

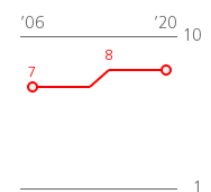
The United Arab Emirates ranked 34th in the 2017 UN Human Development Report and is thus considered to have very high overall development, scoring 0.863. It was also ranked 34th in terms of gender equality in the same report. Per capita income also remains high at the level of \$74,410 in 2017, according to the World Bank.

The country has witnessed tremendous economic growth and development over the past three decades and its Vision 2021 document aims to make the UAE one of the best countries in the world by the time the emirate celebrates its 50th year of independence in 2021. In the context of its economic advancement, poverty and inequality issues impact only on a small proportion of the population. In addition to dedicating the majority of the annual federal budget to social development programs (the 2019 budget allocated 42.3% of the budget to programs such as education, health care services and housing), there are also numerous social assistance programs available through the Ministry of Community Development, including the Zakat fund, the Marriage Fund and a Housing Program.

Prime Minister Sheikh Mohammed Bin Rashid Al Maktoum stated in September 2018 that ministers have "no excuse" for failing to implement federal targets across

Question
ScoreSocioeconomic
barriers

8



the board, arguing that “the citizen is our top priority and we allocated the bulk of the budget to ensure the citizen’s prosperity, health, education and security.”

Where poverty and inequality apply is with regard to the country’s substantial blue-collar and unskilled foreign labor force given that is excluded from the social safety net. This, however, has not prevented the UAE from being identified as a destination of choice for employment and residency for many expatriates.

Economic indicators		2015	2016	2017	2018
GDP	\$ M	358135.1	357045.1	382575.1	414178.9
GDP growth	%	5.1	3.0	0.8	1.4
Inflation (CPI)	%	4.1	1.6	2.0	3.1
Unemployment	%	1.8	1.6	2.5	2.6
Foreign direct investment	% of GDP	2.4	2.7	2.7	2.5
Export growth	%	5.2	3.4	0.5	-
Import growth	%	-5.7	2.7	-1.0	-
Current account balance	\$ M	-	-	-	-
Public debt	% of GDP	18.7	20.2	20.0	19.1
External debt	\$ M	-	-	-	-
Total debt service	\$ M	-	-	-	-
Net lending/borrowing	% of GDP	0.0	0.1	0.2	-
Tax revenue	% of GDP	0.1	0.0	0.1	-
Government consumption	% of GDP	12.4	12.5	12.3	13.1
Public education spending	% of GDP	-	-	-	-
Public health spending	% of GDP	2.6	2.5	-	-
R&D expenditure	% of GDP	0.9	1.0	-	-
Military expenditure	% of GDP	-	-	-	-

Sources (as of December 2019): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

7 | Organization of the Market and Competition

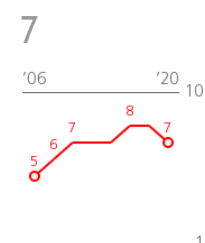
The UAE has made tremendous strides in implementing a wide-ranging economic liberalization strategy based on market competition. The country's Vision 2021 strategy clearly sets out the goal of the UAE becoming an economic, touristic and commercial capital by emphasizing the building of a knowledge-based economy that supports innovation and entrepreneurship and fosters research and development. A 550-strong government task force is in place to ensure implementation and the government consistently reinforces its message that the goal must be reached. The economic diversification strategy pursued by the government has been largely successful with the result that 70% of the UAE's GDP (2017 data) comes from sectors other than oil and gas despite the prominence of the hydrocarbon sector for the overall health of the economy.

The UAE was the first economy in the region to allow for foreign ownership of property, and it has consistently removed entry and exit barriers to allow for access to its markets and incoming investments. Free zones throughout the country make it possible for foreign companies to come in without having to abide by the country's sponsorship laws. In order to maintain its momentum, the government continues to put forward new initiatives announcing a new industrial strategy for 2019 focused on the development of small- and medium-sized enterprises (SMEs) in an effort to further boost the non-oil sector of the economy. Vision 2021 has set a target to increase the share of SMEs in the UAE's non-oil GDP from the current 60% to 70%. Limitations exist in terms of the ruling family's involvement in economic activity; the maintenance of exclusive agency distribution agreements, which ensure that traditional merchant families have virtual monopolies over certain economic sectors; and in the informal economy. These practices are, however, not an obstacle to overall growth or diversification plans.

There is no reliable data on the size of the informal economy, although a new tax law passed in August 2017 aimed to clamp down on the shadow economy. The UAE moved up 10 places in the 2019 World Bank's Ease of Doing Business Index to 11th place, ahead of countries such as Sweden and Germany. According to the current Doing Business report, establishing a business is easy. It takes two procedures and 3.5 days, and costs 22.8% of GNI per capita to start a business, with the country ranked 25 out of 190 countries. UAE also ranked 5th in the 2018 Global Connectedness Index.

Despite an emphasis on economic diversification, the UAE can still be characterized as a state-controlled duopoly with some remaining monopolistic tendencies. Independent institutions to protect competition do not exist; rather, there is a close relationship between the government and leading merchant families resulting in exclusive distribution agreements that allow these families to maintain a substantial

Market
organization



Competition policy

7

degree of control over key economic activities and sectors. Sectors such as financial services, oil and gas, transport, pharmaceuticals, electricity, and water, as well as any entities controlled by the UAE or emirate-level governments, remain protected.

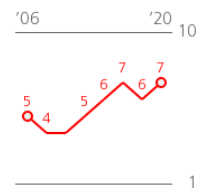
The country's agency law, which has not been revised since 2010, despite the fact that numerous revisions have been announced by government authorities, has been criticized in the past by institutions such as the WTO. In response, the UAE Competition Committee began work in May 2018 as a support unit for the Competition Department of the Ministry of Economic Affairs, which is entitled to review competition policy and ensure a level-playing field as much as possible. A merger control regime is also in place in order to alert authorities if any potential merger would lead to a consolidation of market share of over 40%. However, analysts suggest that the committee often works in favor of the general public interest rather than against anti-competitive economic interests.

A set of economic reforms, "Ghadan 21" (Tomorrow 2021), was announced in June 2018 including an AED 50 billion (approximately \$12 billion) investment over a period of three years to enhance Abu Dhabi's competitiveness in business and investment, society, knowledge and innovation, and lifestyle. The reforms, however, are unlikely to eliminate monopolistic practices.

The UAE is an active member of the World Trade Organization (WTO) since joining it in 1996. The latest WTO Trade Policy Review report on the UAE from June 2016 highlighted that trade is seen as an essential element in the UAE's economic diversification strategy. The UAE is the first Arab country to ratify the WTO's new Trade Facilitation Agreement which allowed the agreement to enter into force for all members.

The country's Most Favored Nation applied tariff rate averaged 4.8% in 2017. Access to the UAE market is based on the Gulf Cooperation Council (GCC) Common External Tariff, which has been set at 5%. While the UAE's Trade Agencies Law reserves import and distribution activities to so-called UAE agents, the country's primary export centers are free zones that are exempt from the licensing, agency and national majority-ownership obligations that apply to the domestic economy. No export subsidies have been identified by the WTO, and trade restrictions are usually applied on safety, religious or moral grounds.

The UAE has in recent years sought to specifically develop its trade relationship with Asian countries, including a trade and investment partnership with China announced during the visit of Chinese President Xi Jinping to the UAE in July 2018, and a currency swap agreement to boost UAE-India trade as part of the visit of Indian Prime Minister Narendra Modi to the emirates in February 2018.



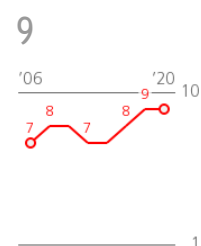
The UAE's banking and capital market system is well developed with 23 local and 26 international banks including Deutsche Bank, HSBC, UBS, BNP Paribas, operating in the country as of February 2019. There are a further 25 finance investment companies and 140 exchange houses. The banks can be divided into four broad categories: commercial, investment, Islamic and industrial. The Banking Systems Outlook of Moody's Investor Service underlined in its November 2018 report the strong capital, resilient profitability and solid funding of UAE banks, and gave the system overall a solid and stable outlook. Abdulaziz al-Ghurair, the chairman of the UAE Banking Association, similarly stated in November 2018 that strong profitability was expected during 2019 and 2020.

In November 2018, the government passed a new public debt, anti-money-laundering, a central bank law, and internal audit and control regulations to boost the competitiveness of the economy while positively impacting the banking sector. Central bank foreign assets stood at nearly \$100 billion in October 2018. While the net international reserves of UAE banks hit a record high of \$110 billion by the end of November 2018, the aggregate capital and reserves of banks operating in the country was \$89.8 billion according to the central bank. The commitment by the government to support the development of small- and medium-sized enterprises through a new industrial policy in 2019 has been seen as an additional boost to increase lending efforts by local banks in particular.

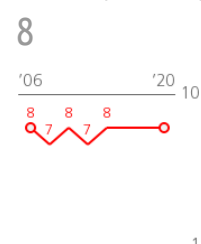
8 | Monetary and fiscal stability

The control of monetary stability stands in line with the government's economic agenda. The central bank oversees the monetary system in line with UAE Federal Law No. 10 of 1980. The law requires the central bank to enforce laws and regulations and propose policies that support the economic goal of stable prices and low employment. The inflation rate in the UAE stood at 2.0% in 2017 but eased to 1.6% by October 2018 due to lower housing costs. The introduction of a 5% value added tax at the start of 2018 initially contributed to stronger inflationary pressure. The government continues to closely monitor developments and intervenes to set price limits for certain staple food and commodity items. Yet, its approach to stimulate both the demand and supply side is restricted by the fact that the UAE dirham is pegged to the U.S. dollar, limiting the policy options when it comes to resisting U.S. interest rate hikes. Suggestions by the central bank's governor in 2015 that a change in federal banking laws to allow the central bank to control monetary policy independent of the state have so far not materialized. Similarly, the currency peg to the U.S. dollar has stayed in place. In June 2018, the UAE raised its interest rates by 25 basis points in line with a hike by the U.S. Federal Reserve.

Banking system



Monetary stability



As outlined in the UAE Vision 2021 government policy strategy, ensuring macroeconomic stability is a cornerstone of government policy. With large-scale investments in infrastructure and services development alongside a sustained economic diversification process for the last two decades, the UAE is listed as the most competitive economy in the Middle East, according to the 2018 Arab Competitiveness Report put out by the World Bank and the World Economic Forum. Unlike most oil-producing countries, the UAE's diversification efforts mean that over 70% of the country's GDP comes from non-oil sources. While the UAE ran a budget deficit of 2.6% in 2017, higher oil prices plus additional tax income due to the introduction of a value added tax in 2018, and an excise tax on tobacco and sugary drinks have improved the UAE's fiscal position. The budget deficit is expected to shrink further to 0.7% in 2018 and turn into a surplus in 2019. Public debt to GDP stood at 20.7% in 2017.

9 | Private Property

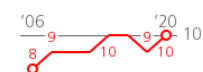
The opening up of the property sector to nationals and foreign residents in the early 2000s, the first step in this direction taken by any GCC state, was a key catalyst, propelling the UAE's economic liberalization policies forward. Subsequently, property rights, the regulation of property acquisition, benefits, and use and sale conditions have been continuously defined in formal law with increased specificity. UAE nationals have the right to own property anywhere in their emirate while expatriates, including nationalities from the GCC countries, remain restricted to certain freehold areas. Within this context, certain regulatory areas are considered problematic, including stringent visa rules for property investors, the lack of transparency associated with canceled projects, unclear guidelines concerning procedures for the resale of land, and the lack of a sound dispute-resolution mechanism. Property laws also vary from emirate to emirate. One important element is the fact that one does in general not own the land the property is situated on. It is therefore a contractual but not an ownership right. In 2018, several reforms were introduced, including a new five-year retirement visa for expatriates who have invested in the property market and new mortgage rules. The government also removed the 20% bank cap on investment in real estate in the country.

The UAE pursues an aggressive economic diversification and liberalization strategy, with a strong emphasis on the role and growth of the private sector. As such, there are no restrictions in place for private companies, and the UAE prides itself on providing a business-friendly environment with minimal bureaucracy.

Privatization processes are conducted largely on the basis of market principles. The one key question that remains concerns the close relationship between the public and the private sector, including the fact that many seemingly private enterprises are owned by the government or count a ruling family among their primary shareholders. This in turn raises concerns over transparency and conflicts of interest.

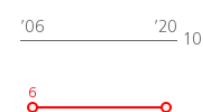
Fiscal stability

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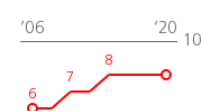
Property rights

6



Private enterprise

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With government support and acquiescence, large UAE business families hold oligopolistic positions with power concentrated over certain business sectors. The National Agenda of the country's Vision 2021 document lists entrepreneurship, innovation, development of small- and medium-sized enterprises, and research and development as key objectives. As a result, the UAE ranked 38th globally and first in the Arab World in the 2018 Global Innovation Index. Overall, a functioning market economy is seen as key to ensuring the stability of the country and preventing political discontent.

10 | Welfare Regime

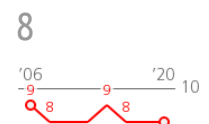
The UAE offers its citizens a comprehensive welfare system including social security benefits, free or subsidized housing, a well-developed health care system, educational opportunities, and a wide array of other subsistence assistance. The 2019 federal budget allocated AED 7 billion out of the total of AED 16.3 billion (or 42.3%) to social development programs, with 17% allocated to education and 7.3% to health care services.

Numerous statements from government ministers emphasized the need to develop human capital and ensure the overall satisfaction of the country's citizens. While there have been some reforms to lower government spending and increase efficiency, including the lowering of subsidies on utility and fuel prices, and the introduction of a valued added tax, the government ensures that UAE nationals enjoy a variety of privileges and access to significant government support. A lot of emphasis is placed on training programs for the youth population and preparing them for actual labor market challenges.

In June 2018, the government announced a new organization, Ma'an, to improve coordination between community organizations, and the public and private sectors. It should be noted here that most social services, however, do not apply to the large expatriate community in the country.

While there are no formal restrictions in place for UAE citizens in terms of access to employment opportunities, education or public services, some unspoken restrictions do exist. These are very limited but they involve the distribution of high-level positions along lines of tribal affiliation, or restrictions due to family, ethnic or religious background. It is nevertheless official government policy to fight discrimination on the basis of sectarian ideologies. Given the emphasis on national employment and the development of a knowledge economy, merit-based considerations are increasingly applied at various levels of the government. National unemployment does exist but this is the result of citizens preferring public sector employment over the more competitive private sector rather than insufficient employment opportunities.

Social safety nets



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Equal opportunity



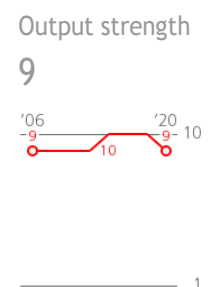
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Though the female labor force participation rate stands at only 12.4% (2017), women continue to play an increasingly active role in all aspects of UAE society and the economy. Women's economic participation has been supported by institutions such as the establishment of a Gender Balancing Council, which reviews legislation and provides policy recommendations for the participation of women. One result was the extension of maternity leave in March 2018. As of January 2019, there were nine female ministers in the UAE cabinet, comprising 30% of the total cabinet, 66% of jobs in the government sector were held by women, and there were 23,000 businesswomen active in the UAE economy. In December 2018, the government also issued a directive to increase the representation of Emirati women in the Federal National Council to 50% beginning with the next legislative session. While in primary and secondary education, male and female enrollment rates are almost equal, and twice as many women are enrolled in tertiary education as men.

Foreign blue-collar workers still live and work under the conditions of the kafala system, which strongly impacts on their rights and freedoms. However, Sheikh Khalifa approved in September 2017 a revised law on domestic workers, which substantially improves the legal protection of (mainly female) guest workers in private households. Irrespective of this, immigrants as well as natives are not allowed to form or join trade unions. Thus, employed staff are clearly heavily dependent on their employers and very often find themselves entirely at the employer's mercy.

11 | Economic Performance

The UAE economy is one of the most dynamic economies in the Middle East with a continued positive outlook. It is also the Gulf region's most diversified economy with 70% of its income coming from non-oil sources. The country has set itself a goal of reducing the contribution of oil to the economy to less than a 5% of GDP by 2021. The country's GDP stood at \$382.6 billion at the end of 2017, recording a small 0.7% growth rate despite continued low oil prices and regional volatility. Though GDP growth was expected to increase to 2.8% for 2018 and reach 3.7% for 2019 given more income sources and a new foreign direct investment law passed in 2017, which saw FDI increase by 6.6% in 2018 to reach \$11.5 billion. Other factors that also contribute to the economy's stable position include relative price stability, low debt levels and a stable current accounts balance. The UAE remains the second-largest Arab economy after Saudi Arabia.



12 | Sustainability

Environmental issues rank high on the UAE agenda although economic considerations and political factors tend to outweigh sustainable environmental policies. The UAE faces environmental challenges due to population growth, widespread and rapid urbanization, high energy demand and usage, industrial development, as well as a consistent rise in tourism and related facilities. The UAE government acknowledges that the challenges to its natural environment are “immense” with the country’s large carbon footprint, waste generation, air pollution, and land degradation and desertification listed among the key challenges. The Vision 2021 document lists “improving the quality of air, preserving water resources, increasing the contribution of clean energy and implementing green growth plans” as key components of the country’s strategy.

Numerous initiatives have been launched as a result. For example, a UAE food bank was established to rationalize food consumption and reduce wastage, as was the Council for Climate Change and the Environment, while the government intends to reduce subsidies on water and utility usage, and ratify the Paris Climate Change Accord. In November 2018, the Council for Climate Change and the Environment agreed to put forward a draft law to address climate change challenges. This will involve managing greenhouse gas emissions, expanding environmental governance, and establishing mandatory and voluntarily mitigation and adaptation targets.

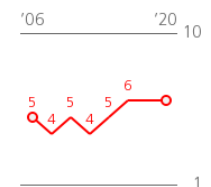
The UAE is a signatory to the Convention on Biological Diversity (CBD), the Convention on International Trade in Endangered Species of Flora and Fauna (CITES), the United Nations Convention to Combat Desertification (UNCCD), the Convention for Cooperation on the Protection of the Environment from Marine Pollution and the Law of the Sea (UNCLOS). Despite such steps, the country remains on an unsustainable path with regard to its overall growth. This is underlined by the fact that the UAE still uses groundwater at a rate that is 20 times higher than its ability to replenish it.

Education development is a core priority of the UAE government. The overall goal is a complete transformation toward a first-rate education system. Targets to be achieved by 2021 include a 90% upper secondary graduating rate, being in the top 20 countries in the world in terms of PISA scores, and eliminating the need of a foundation year for UAE students entering higher education.

In the 2019 federal budget, education was allocated the largest individual share at 17.0%, amounting to \$2.8 billion; 0.9% was earmarked for research and development in 2015. The UAE already offers citizens free comprehensive education from kindergarten to university. A National Strategy for Higher Education was launched in November 2017 with 33 specific initiatives in order to focus “on graduating specialized and professional generations in the vital sectors to become the cornerstone

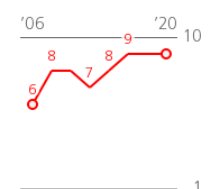
Environmental
policy

6



Education policy /
R&D

9



of the knowledge-based economy and to take part in research, entrepreneurship and labor market.”

Education reforms have also been implemented at the primary and secondary level, with bodies such as the Abu Dhabi Education Council, and Dubai’s Knowledge and Human Development Authority established to ensure high accreditation and teacher qualification standards. This includes a Teacher and Educational Leadership Standards and Licensing program. The UAE is home to more than 40 leading international universities in addition to national institutions, such as the Emirates University, the higher colleges of technology and Zayed University. In the 2017 U.N. Education Index, the UAE scored a respectable 0.738, compared with 0.677 10 years before.

Governance

I. Level of Difficulty

There are only minor structural constraints on the UAE leadership's ability to govern at the domestic level, given that the ruling families have a basic monopoly over the decision-making process. What this means in practice is that government policies can be implemented quickly and with little bureaucratic delay. The government further ensures that budgets are adequately allocated and disbursed, and that all government institutions have the tools with which to accomplish their objectives. Between 2017 and 2018, the government continued its policy of integrating more UAE nationals into positions of authority thereby allowing for greater delegation of power.

There still exists a lack of transparency and accountability in decision-making, although this is not seen as being an obstacle to practical policy-making. The UAE has also taken steps to increase its regional influence and is actively engaged on a number of fronts (e.g., in Yemen, Egypt, Libya and South Asia) in order to support some of its core interests. This includes an active foreign aid and assistance program as well as using cultural diplomacy to spread the UAE's soft power. Despite its relatively small geographical and demographic size, the active position on external issues has widened the UAE's ability to promote its policies.

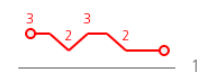
While there is strong civil society engagement within the context of community service in the UAE, there is an even stronger determination by the government to restrict any civil society organizations that engage politically or that intent to raise political issues. In particular since 2011 and the Arab Spring, the UAE government has actively moved against any institutions or movements that it sees as infringing on its political authority. For example, members of the al-Islah movement (the local branch of the Muslim Brotherhood) have been imprisoned and the movement itself has been declared a terrorist organization. Human rights activists have also been given lengthy prison sentences, including Ahmed al-Mansour who was sentenced to 10 years in prison in May 2017.

Overall, the government does not tolerate any challenge to its monopoly on power. With the introduction in June 2014 of mandatory military service for all UAE male nationals aged 18- to 30-years-old (women may join voluntarily), the government has further tried to assert its authority, using the national service as a means to instill

Structural
constraints

2

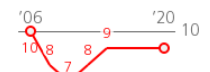
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Civil society
traditions

9

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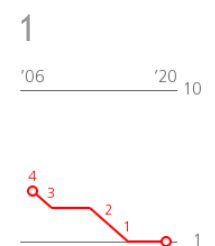
values of national identity and serving the state. National service was extended from nine to 16 months in June 2018. Nationals without a secondary degree have to serve three years.

In sum, the number of institutions considered part of an active civil society is small and composed only of a few professional associations and voluntary groups. Instead, the development and maintenance of social trust is accomplished through personal relationships rather than institutionalized organizations.

The UAE did not experience any significant violent incidents based on social, ethnic or religious differences during the review period. Moreover, the potential for such violence remains low given the high legitimacy of the government and a close-knit coherent national identity, which the large majority of the population lines up behind.

However, the UAE can be considered a target for extremist groups given its tough stance against Islamist movements, its participation in the Saudi-led coalition in Yemen, and its participation in the international coalition fighting the Islamic State group in Iraq and Syria. The Houthis have launched attacks against UAE troops in Yemen and threatened to launch missiles against targets in Abu Dhabi and Dubai.

Conflict intensity



II. Governance Performance

14 | Steering Capability

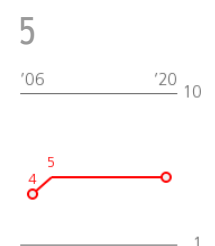
The UAE has a clear sense in terms of its strategic priorities regarding economic development (less so regarding political transformation) and prioritizes and organizes its policies accordingly. All government agencies engage in regular strategic planning processes which are also subject to review and adjustment as required. This process takes place both at the federal and the individual emirate level. Individual emirates are guided by strategic documents called Abu Dhabi Plan 2030 or Dubai's Plan 2021. The Dubai emirate also has the intention of making Dubai "the happiest city on earth."

At the federal level, the defining strategy is the UAE's Vision 2021 document, which outlines the priorities as follows: a cohesive society and preserved identity; a first-rate education system; world-class health care; a competitive knowledge-based economy; a safe public; a fair judiciary; sustainable environment and infrastructure; and a strong global standing. For each of these areas, specific performance indicators are provided that set out goals to be reached. In 2015, a 550-strong government task force was put together to monitor progress toward the 2021 goals and executive committees meet on a regular basis.

Question

Score

Prioritization



There exists a strong consensus within all of society in support of such a strategy. Mariam Al Hammadi, assistant director general for government performance at the Ministry of Cabinet Affairs and the Future, stated in April 2017 that with four years to go more than 70% of the goals were already achieved. Initiatives in 2017 and 2018 included a new strategy for small- and medium-sized enterprise development, a national unified health care record scheme, an integrated energy strategy and a specific focus on innovation initiatives. The bottom line is that the UAE's governance structure can be said to be largely successful in planning and executing its development strategies.

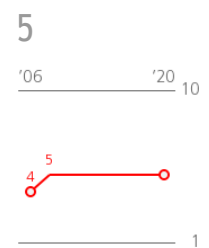
The UAE places a priority on ensuring that it is moving toward achieving its stated goals. On most of the issues outlined in the UAE's Vision 2021, substantial progress has been achieved in diversifying the economy (more than 70% of GDP in 2018 was generated from income sources other than oil and gas), improving educational and health care standards, promoting national identity, and integrating innovation into national plans. The UAE continued to rank as the highest Arab country in the 2018 Global Innovation Index and ranked 24th globally in the innovation input category.

In order to ensure that the political determination is translated into actual progress, an emphasis has been placed on expanding institutional capacities including promoting more UAE nationals to positions of authority. While the government is thus certainly able to implement its decisions effectively, the main objective is to keep the current government system in place and not risk potential instability through the introduction of widespread political reforms. The premium remains very much on ensuring the stability and security of the country which the government sees as instrumental in terms of being able to accomplish its agenda.

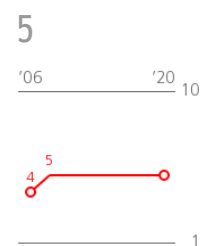
The UAE government has made it one of its core undertakings to review past performance and to make adjustments as necessary when it comes to its stated strategic goals. Innovation is one of the core principles around its development and growth policy. In October 2014, the country launched a National Innovation Strategy with the aim of making the country the most innovative nation in the world by 2021. The UAE also engages in a wide network of regional and international partners, with the aim of importing best practices and maintaining contacts with leading technological companies that can support the country.

The Mohammed Bin Rashid Innovation Fund was established with the objective to support individuals and organizations that promote and develop innovative ideas and projects. Initiatives launched during the period under review include the establishment of a unified network to promote research collaboration between universities, the private sector and the government, a program to strengthen financing for innovation through venture capital, and the Young Innovative Companies Initiative.

Implementation



Policy learning



Sultan bin Saeed Al Mansouri, the UAE's minister of economy, stated in November 2018 that the UAE would continue to “embark on an ambitious innovation program with short-term initiatives to boost our global innovation ranking and longer-term transformational initiatives to rank among the top global innovation leaders.” As such, the UAE can be considered as having a successful and positive innovation track record.

15 | Resource Efficiency

Given its relatively small national population, the UAE has found a balance in terms of developing its human, financial and organizational resources with foreign workers while maintaining societal stability. Starting in 2019, new long-term visas of up to 10 years have been granted for expatriate specialists working in medicine, science or research, as well as for outstanding students.

A key aspect has been the commitment by the government to use its income to diversify the economy away from oil and to work for this along a specific and identified strategy. The generated income is used for the development of the country while the government pursues a balanced budget and keeps state debt low. The 2017 – 2018 World Competitiveness Index of the World Economic Forum ranked the UAE first in terms of efficiency of government spending. To its credit, there is a constant push through the use of government directives to improve public administration and promote skills development.

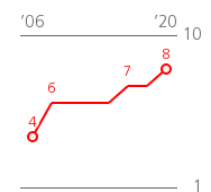
One drawback in the UAE is the large size of the public sector with UAE nationals preferring public sector to private sector employment due to better pay and shorter hours in the public sector.

Given that political power is concentrated among a limited number of officials, the process of policy coordination is easy and largely effective. There is little evidence of competing political interests and a significant effort is made to build consensus before government policies and initiatives are announced. This ensures that there is coherence in government processes. Efforts are also made to ensure that all ministries and agencies work within the framework of government strategies. In particular, the government undertakes annual retreats during which overall policy objectives are reviewed and assessments are made about the effectiveness of policy decisions.

Only within the country's federal structure are conflicting interests visible, although every attempt is made to keep such dissent out of the public eye. This includes the fact that the larger emirates of Abu Dhabi and Dubai tend to dictate the direction of national development with the five smaller emirates playing a subordinate role. The smaller emirates have also complained that little attention is paid to their specific development issues, while the majority of federal funds are spent to the benefit of Abu Dhabi and Dubai.

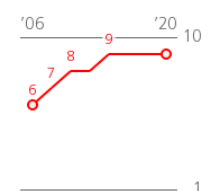
Efficient use of assets

8



Policy coordination

9



The UAE government is publicly committed to fighting corruption and continues to put various anti-corruption mechanisms in place. It ratified the United Nations Convention against Corruption in 2006, joined the Arab Anti-Corruption and Integrity Network in 2008, and established the State Audit Institution (SAI) as a federal audit authority overseeing the use of public funds in 1976.

Article 62 of the UAE Constitution prohibits government ministers from undertaking any other professional or commercial occupation while in office while the UAE's Penal Code criminalizes both active and passive bribery as well as the abuse of functions and embezzlement. The UAE leads the Middle East in being one of the few countries where progress was made in anti-corruption efforts compared to previous rankings. Though regular references are made to money-laundering and other criminal activities. Other shortcomings include the continuing lack of transparency over state budgets and the government's procurement process, as well as the overlap that exist between public and private business affairs. There are also question to what degree the commitment against corruption is pursued when it comes to potential cases involving members of the ruling family.

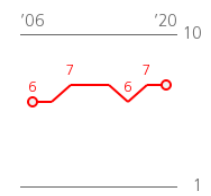
16 | Consensus-Building

There is a clear and consistent consensus among all major political actors in the UAE about the country's policies, its current direction and the stated path forward. The government and the ruling family are seen as highly legitimate which translates into strong support for government policies. This, however, does not mean that there is a consensus about the transformation of the UAE into a democratic system along Western lines with clear institutional divisions and limitations, political parties, and regular elections. Instead, the emphasis in the UAE is on the concept of good governance rather than political reform and decentralization. In the wake of the Arab uprisings, previous domestic debates about some needed political reforms have been sidelined and replaced by a near unanimous agreement that the UAE does not require a system along the lines of a liberal democracy. In its place, the government's argument that change must be slow and incremental in order to avoid disrupting fragile societal balances is accepted.

The country's economic distributive policies have ensured that the majority of the population has benefited from the growth of the country. This has contributed to a widespread level of support for the implementation of a market economy and further economic diversification and liberalization efforts. On the economic front, the government has the full support of all major political actors in the country to undertake policies that further cement the UAE's path in this direction. Due to the country's small national population in comparison to its position as a leading oil-producing country, the UAE's financial position has made it possible for everyone to see the tangible benefits of economic growth. As such, there are almost no losers in this equation, or sectors of the population that feel marginalized, with the notable exception of expatriate blue-collar workers.

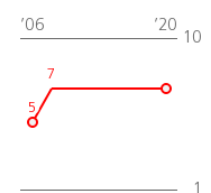
Anti-corruption policy

7



Consensus on goals

7



Actors in support of political reforms in the UAE have almost no ability to influence the government or to overcome anti-democratic actors. In the review period, the UAE has tended to further centralize political power and respond harshly to anyone willing to challenge the authority of the state. The human rights activist Ahmed Mansour was sentenced to 10 years in prison by a UAE court in May 2017 while other activists have seen their terms extended or have not been released after their sentences ended.

As far as the UAE leadership is concerned, they advocate gradual and incremental reform, which includes some political reform although the scope of those reforms remains unclear. There is a clear priority to maintain the stability of the governing system and the state over the need to implement participatory mechanisms. In order to ensure its predominance, the government has put in place a security apparatus that monitors all types of potential political activity in the country. It has also passed legal restrictions in the form of anti-terrorism and cyber security legislation that in essence allows the government to intervene against any form of action that it considered harmful to the country. On this front, there is also extensive cooperation at the regional level, including a GCC-wide security agreement that commits every member state to move against any group of individuals suspected of undermining state security. Given the volatile climate throughout the Middle East region, there is no indication that the UAE government will loosen its stance in the coming years.

Given its monopoly over power and the use of force, the UAE government is completely capable of containing any potential cleavages within the system. Its success so far is demonstrated by a widespread societal consensus that continues to accord legitimacy to the ruling system. The fact that several societal cleavages do exist in the country is simply a reflection of the government not feeling that those cleavages are a direct threat to state stability. The major one is the large discrepancy between the number of Emirati nationals and expatriates in the UAE. Of a population of approximately 9.7 million in early 2019, there are only about 1.3 million UAE nationals (about 13%). While the government recognizes that this cleavage is a potential security threat, little action in terms of a reduction in the expatriate workforce has been undertaken.

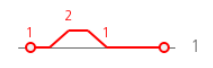
On the domestic front, there is a generational dividing line, with a large young population seeking greater responsibility within the social structure as a whole. In order to ensure that this younger generation continues to support government policy, numerous initiatives have been put in place when it comes to employment opportunities, skills and educational development, and integration of UAE nationals into positions of authority. Overall, the existing cleavages do not hold the potential for sparking widespread domestic conflict with the government firmly in control of such dividing lines.

Anti-democratic actors

1



Year	Score
'06	1
'07	2
'08	1
'20	1

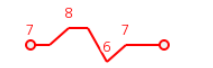


Cleavage / conflict management

7



Year	Score
'06	7
'07	8
'08	6
'09	7
'20	7



1

In the UAE, a structurally developed and active civil society in the Western sense does not exist. In particular, the UAE government undertakes specific steps to prevent civil society from playing an active role in the political development of the country. As such, civil society actors in the form of think tanks, labor unions, or professional associations are actively prevented from participating in agenda-setting, policy formulation or decision-making processes. Though the government permits civil society participation within the context of community development in terms of voluntary association or community engagement. The involvement of UAE citizens in the economic and social development of the country is outlined in the country's Vision 2021 strategy.

There are no major historical injustices requiring the government to engage in a reconciliation process. While competition among the individual emirates exists, focusing in part on unresolved territorial issues predating the establishment of the federation, this is not considered disruptive and does not require a formal process of reconciliation. There is a broad commitment to the federation as a whole, and any remaining historical disputes are handled within this framework.

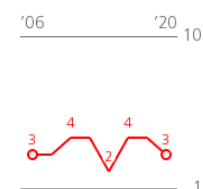
17 | International Cooperation

The UAE has clear aims for its political and economic development, which are outlined in several strategy documents. International assistance is incorporated into these strategies but in the form of expertise and know-how rather than financial aid. Politically, the UAE has been a close ally of Saudi Arabia, supporting the sanctions imposed on Qatar in 2017, the war in Yemen and Saudi efforts to back the Egyptian military regime against the Muslim Brotherhood. In this context, the UAE's foreign minister, Anwar Gargash, strongly rejected any attempts to "politicize" the murder of Saudi journalist Jamal Khashoggi in October 2018. This is a strong indicator of the mutual support the UAE and Saudi Arabia provide each other, though not in the normative understanding of the BTI.

Financially, the UAE is not dependent on external development assistance, and instead is a major donor and contributor to international aid programs worldwide. In May 2016, the UAE announced that it would allocate 15% of its annual budget to humanitarian assistance in turn doubling its contributions by the year 2020. The OECD has named the UAE as one of the world's largest official development aid donors relative to national income. The UAE Red Crescent Society has stated that more than \$32 billion of assistance was provided during the period 2013 to 2017. To overcome a lack of capacity especially in terms of technical expertise, the UAE has worked with other international agencies to gain experience and knowledge. As a result, the UAE's own institutions, such as the UAE Red Crescent Society and the Abu Dhabi Development Fund, have become recognized institutions in their own regard. The same applies to the military field where UAE cooperation with NATO has significantly increased the UAE's own capacities and capabilities.

Civil society participation

3



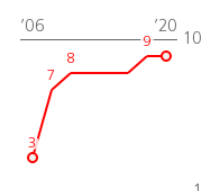
Reconciliation

n/a



Effective use of support

9



The UAE is increasingly considered to be a credible and reliable partner, both at the regional and international level. The UAE federation was not given much chance of survival when first established in 1971 but has since emerged as the only successful federal experiment in the Arab world. Particularly in terms of moving toward a market economy, the UAE is considered a success story.

As part of its overall strategy, the UAE is determined to strengthen its international relationship and it makes a significant effort to follow up on its commitments at the international level. The UAE is thus not only a member to numerous international organizations but is also an active contributor to the goals and objectives of those organizations. The UAE hosts the International Renewable Energy Agency (IRENA) and numerous field offices of the United Nations. Contributions in 2017 and 2018 include the naming of the UAE U.N. ambassador as president of the U.N. Women's Association and a stated commitment to launch projects to support international gender equality efforts through the UAE Gender Balance Council.

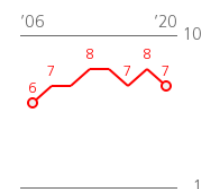
Outside multilateral organizations, the UAE attempts to maintain good relations with a variety of countries worldwide although it also has shown an increased readiness to follow a more determined national interest policy. This includes its more controversial involvement in regional affairs such as its role in the military campaign in Yemen and support for political actors in Libya. Still, the UAE is largely seen as a valuable and reliable ally.

The UAE is strongly supportive of positive regional and international relationships and makes consistent efforts to develop its foreign relations. At the same time, the UAE has also been more forceful in pushing for a more narrowly defined national interest strategy and acting on its own on regional matters when it has felt the need to do so. For example, while the country continues to support the regional organization of the Gulf Cooperation Council (GCC), it did not hesitate to engage with three other countries in an economic and trade boycott of fellow GCC member Qatar starting in June 2017, which the UAE accuses of supporting extremist causes in the Middle East and beyond. The move has threatened the cohesion of the GCC, with UAE officials suggesting that time might be running out for the GCC as an organization. At the same time, there is a public commitment to continuing with the work of the GCC.

Somewhat confrontational relations also exist with regional countries such as Iran, with whom the UAE has a territorial dispute over three islands in the Gulf and where the UAE is strongly opposed to what it considers Iranian interventionist policy in the Middle East. In Yemen, the UAE is a partner with Saudi Arabia in the military coalition against the Houthi movement, which has at times brought criticism due to large civilian casualties and the mounting humanitarian disaster within Yemen. The UAE also remains strongly supportive of the government of President Abdel Fattah al-Sisi in Egypt with the two sides aligned in the campaign against the Muslim Brotherhood. In parallel, the UAE has also expanded its role in the Horn of Africa and contributed to the peace efforts between Eritrea and Ethiopia in 2018.

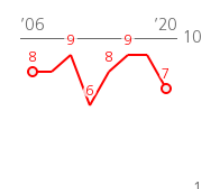
Credibility

7



Regional cooperation

7



Strategic Outlook

The UAE has a clear and determined strategy to maintain economic growth and social development, which is laid out in its “Vision 2021.” As one of the next big steps, Dubai will be the host of the 173-day long 2020 World Exhibition, which is expected to bring additional visitors and business opportunities to the UAE.

However, there are also numerous factors that could impact on the scope and implementation of the Vision 2021 strategy:

The first is on the domestic political front, where the direction of the government in terms of centralized decision-making comes at the expense of political institutionalization and wider citizen participation. Not only is decision-making becoming more centralized, it is also increasingly securitized with the result that the room for political dissent continues to shrink. For the moment, and in light of the widespread turmoil in the Middle East, the UAE leadership retains the support of the majority of the population, and its legitimacy is not likely to be questioned in the short term given its positive and prolonged track record of successful policy implementation. But without some degree of political inclusion, the government will find it difficult to maintain the balance between stability and security on the one hand, and performance, accountability and transparency on the other.

The second factor that impacts on the future trajectory of the UAE will be its ability to continue to prioritize economic diversification as a means to ensure continued economic growth and development. To be sure, the government is constantly monitoring the changing economic environment and has in the past shown a willingness to take risks or adjust policies if it feels this is necessary. At the same time, some economic reform measures will come with political ramifications, presenting the government with trade-offs that will need to be calculated. This includes adopting a more institutionalized decision-making process guided by the rule of law, so that the private sector can become the primary engine for economic growth, and implementing a new social contract, one that moves away from the trade-off between political rights and economic well-being in order to empower younger citizens to take on more responsibilities within society. For the UAE, it will be increasingly difficult to maintain a clear separation between its economic and political development.

The third factor is the volatile Middle East security environment in which the UAE is taking an increasingly active position in order to safeguard its own stability. With rising uncertainty about the future direction of the United States as a continued guarantor of Gulf security, the regional Middle East order is entering a period of profound transition in which regional actors, including the UAE will have to take on a greater degree of responsibility than has been the case in the past. While the UAE has been ready to step into such a role, the cases of Yemen and Libya also underscore that increased regional involvement does not come without risks, as the UAE finds itself increasingly in competition with other regional countries (e.g., Turkey and Qatar) and under

heightened international scrutiny. To balance out potential challenges, the UAE will need to continue to build on international partnerships, including with the European Union, which focus on regional mediation and stabilization policies rather than opting for confrontational and unilateral actions.