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<td># 90 of 129</td>
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<td>1-10</td>
<td>8.14</td>
<td># 14 of 129</td>
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<td>1-10</td>
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<td># 50 of 129</td>
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This report is part of the Bertelsmann Stiftung’s Transformation Index (BTI) 2016. It covers the period from 1 February 2013 to 31 January 2015. The BTI assesses the transformation toward democracy and a market economy as well as the quality of political management in 129 countries. More on the BTI at [http://www.bti-project.org](http://www.bti-project.org).


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Key Indicators

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Sources (as of October 2015): The World Bank, World Development Indicators 2015 | UNDP, Human Development Report 2014. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than $3.10 a day at 2011 international prices.

Executive Summary

At the outset of 2015, the United Arab Emirates (UAE) is a stable country with all the attributes of a modern economy and many positives in state-building and political management. The UAE has continued to take advantage of its position as one of the leading oil producers of the world, ensuring that many of the windfalls from hydrocarbon sales are used for the development of both the country and its population. For many, especially those in the volatile Middle East, the UAE is a model, with leadership that is broadly envied. This model character comes from being able to combine governmental control and direction with the virtues of neoliberalism. In terms of its market economy, the UAE has continued its vast growth backed by reforms that provide an institutional framework. Lessons have been learned from the economic and financial crisis that in particular impacted the status of Dubai, and, as a result, many of the excesses of the past have been reined in to allow for a significant recovery. The UAE has benefited from the widespread regional turmoil: Its stability and safe environment have made the country highly successful in attracting Arab capital as well as talented Arab human capital. The combination of a liberalization of trade policy, macroeconomic stability, a well-developed financial sector and strong social safety nets have underpinned the leadership’s strong legitimacy and basis for its rule. Its sound economic foundation has further allowed the leadership to lay out clear social development objectives that include bringing about a world-class education system, a knowledge-based economy, and a strong sense of national pride and identity. If there are shortcomings on the economic side, they pertain to employment of UAE nationals in the private sector and ensuring that sustainable environmental policies are not sacrificed to market principles. Steps are being implemented on both fronts, but it remains to be seen if stated objectives can be achieved in the suggested timeframe.

Similar to previous assessments, progress on the market economy front was once again tempered by some regression when it comes to democratic practices, in particular freedom of expression, the independence of the judiciary and the establishment of a vibrant civil society. The period February 2013 – January 2015 witnessed some significant setbacks in these areas, underlining the
government’s priority to place stability ahead of potentially difficult political reform efforts. For the moment, any hint of political dissent is dealt with harshly. Most worrisome is new legislation that allows for arbitrary interpretations on behalf of the government when it comes to defining what is damaging to the state interest and what is not. With ruling families as strong executives, a clear separation of powers has not occurred.

In this context, the conclusions reached in the BTI 2014 UAE report continue to be valid: While there are no structural constraints to prevent the government from pursuing a comprehensive reform process, it has made the conscious decision not to pursue such a course. Instead, the core emphasis is on the consolidation of existing ruling arrangements and the prevention of power devolution through constant decentralization. This approach works because the government uses the tremendous financial resources at its disposal wisely, and to the wide benefit of the population, and because regional developments have swayed public opinion toward the idea that stability trumps further political development. In the very near term, the government will be able to maintain this dichotomy of policies, but, over the longer term, it will find it harder to maintain the two-pronged approach of increasingly divergent economic and political policies.

History and Characteristics of Transformation

The United Arab Emirates is a federation of seven emirates established on December 2, 1971, with the seventh member, Ras al-Khaimah, joining in early 1972. From the outset, outsiders accorded the UAE little chance of survival, given the historical animosity that characterized the relationship between the tribal regions of southeastern Arabia. In 2014, however, the country celebrated its 43rd national day underlining that the UAE had both grown as a federal entity and become an accepted member of the international community. While the UAE was once seen as an experiment of unification, it today represents the only successful attempt at federation in the Arab world.

Part of the success and resilience of the UAE is due to the manner in which the government has been structured. Aside from items such as foreign policy and national security, the constitution – which was classified as provisional until being made permanent in 1996 – left sovereignty with the individual seven emirates, particularly in such areas as administration, economic and social policy, and even control over each emirate’s own mineral and oil wealth. 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, and as the UAE has matured as a state, there has been an increased willingness to expand federal jurisdiction in areas that have proved to be functionally necessary. For example, the emirates dissolved their individual defense forces in 1997 and joined them under one central command. There have been similar movements with respect to labor and national economic policies as well as with implementing educational standards.
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, “exercising supreme control upon the affairs of the Union in general” (Art. 49 of the UAE constitution). The country’s president is the ruler of Abu Dhabi, the largest emirate both in terms of size and wealth; he has assumed a “natural” leadership role within the UAE. The other emirates do, however, retain a certain amount of input within the decision-making process.

Economically, the UAE has made tremendous strides in its national development. Backed by the world’s seventh-largest oil reserves (according to the 2014 BP Statistical Review of World Energy) and a small national population of slightly more than one million, the UAE has witnessed its GDP rise from $46 billion in 1995 to $418 billion in 2014, an increase of close to 1,000%.

Driven by high earnings from oil in the decade since 2004, 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 three-quarters of the country’s GDP. All of this 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.

The economic progress that has been achieved has so far not been matched by similar progress when it comes to political reform. Buoyed by high per capita income and supported by a high degree of internal legitimacy, the ruling families of the UAE continue to feel little necessity to expand participatory political mechanisms for the population at large. While the institutional capacity of governmental organs has been increased and improved, attempts by citizens to petition the state to allow for greater political rights are denied and often dealt with harshly. Internal security services are omnipresent and new legislation has been introduced under which any criticism against the state can be prosecuted, which has often been the case in the period under review. Access to the political system itself continues to be based mostly on personal relationships and is thus highly arbitrary. The experience of the “Arab Spring” movement, which is viewed by the majority of UAE citizens as having brought greater instability to the entire Middle East, along with the rise of forces associated with extremist political Islam, has made both the leadership and the wider population wary of the need to proceed down a quick path to further political development. The country’s significant youth population, along with globalization processes (including external scrutiny of internal UAE developments) means that the country’s leadership cannot simply ignore future reform needs. Yet for now, the determination to ensure stability even at the cost of political rights means that a process of wider political reforms has been given a lesser degree of importance.
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 has a monopoly on the use of force. The security forces have complete and total control over the entire territory of the country, and there are no areas in which any organizations or opposition groups infringe on that control. There were no reports in 2013/14 that indicated any threat to the country in terms of its internal stability. Security services continued their campaign against members of the al-Islah political group, the UAE’s branch of the Muslim Brotherhood, who they see as trying to undermine the stability of the government. Steps included sentencing individuals to long prison terms. The UAE also continued to act with swift deportation of any foreign national suspected of engaging in any activity that might develop into a threat. None of these developments weakened control by the UAE security forces over their territory.

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 is 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, in few cases have such naturalizations occurred. Most naturalizations take place on the whim of the leadership on an individual basis, meaning that the process itself is highly arbitrary and does not follow structured lines.

There are also 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 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 especially 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 do exist 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 stripped its own nationals of their citizenship for engaging in what have been deemed illegal political activities. Fourth, as mentioned above, naturalization procedures are ill-defined. Reports continue to suggest that 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 considered steps to allow for more naturalizations, the criteria for determining eligibility remains unclear and no action occurred on this front during the 2013/14 period. This is despite the fact that UAE lawmakers repeatedly warn about the country’s precarious demographic imbalance; UAE citizens do not make up more than 15% of the total population. Instead, the government has sponsored widespread awareness campaigns promoting pride in Emirati citizenship.

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 prominent 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. At the same time, the UAE has taken a strict stance against forms of extremism, seeing such organizations as the Muslim Brotherhood (MB) as a threat to the country and undertaking a region-wide campaign to delegitimize the MB’s message. The UAE also participated in the international coalition against the Islamic State (IS) group at the end of 2014 and designated a large number of Islamic organizations terrorist groups. UAE Foreign Minister Sheikh Abdullah Bin Zayed Al-Nahyan declared in a November 2014 interview the UAE’s position vis-à-vis such groups by stating that “our threshold is quite low when we talk about extremism.” In this context, religious dogmas do not interfere with the practical process of governance.

The UAE does have a differentiated administrative that is able to provide all basic public services throughout the country. Furthermore, there are continued efforts by government agencies to improve and expand on those services. As announced by UAE Prime Minister Sheikh Mohammad Bin Rashid Al Maktoum in early 2015, it is the UAE’s aim to serve as a global benchmark when it comes to the provision of government services. As part of the Government Summit to be held in February 2015, the government launched the Museum of Future Government Services focusing on technologies through which the government can improve service provision.
government operates according to specific strategic plans with the aim of achieving balanced and durable development and providing prosperity to the country’s citizens. The “National Vision 2021,” unveiled in October 2014, outlined twelve 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 healthcare, and sustainable environment and infrastructure. Among the performance indicators are to position the UAE as one of the top ten countries worldwide in gross national income per capita, as part of the Global Competitiveness Index and the Global Entrepreneurship and Development Index. It also aims to triple current research and development expenditure as part of GDP from the 2014 level of 0.5% to 1.5%. The UAE State Audit Institution is tasked with ensuring that government departments are managed efficiently. Some degree of duplication of services continue to exist related to the country’s federal nature. For example, while most emirates have agreed to place their judicial system under federal control, the emirates of Dubai and Ras al-Khaimah maintain their own systems.

2 | Political Participation

The UAE does not conduct elections at the executive level, and, as such, citizens do not have the right to change their government. Instead, 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 provide a public debate on legislation. Overall, its role does not serve as a balance to the government’s executive functions. Elections for the FNC have so far been held in 2006 and 2011, with another round expected for 2015. 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 in 2011, only 12% of UAE nationals were eligible to vote. Of those, only 25% did in fact cast a ballot. While the government has underlined the “commitment of the UAE and its leadership to further promote political participation,” no specific action in this direction was taken in 2013/14. A promised election law to guide future electoral processes has not been issued. Instead, elections are carried out on the basis of executive decrees. The government has also responded harshly to petitions asking for broader political rights. Many of those who signed such petitions have been jailed or put under pressure to recant their support.
UAE rulers are supreme in their decision-making power, and as such, there are no restrictions on their ability to govern. They are not elected. The combination of a small national population and large-scale financial resources has enabled the ruling families to establish legitimacy and gain a societal consensus about their right to govern. The ruling families do take into account tribal considerations and other interests, such as those of powerful business families, when making their decisions. This, however, does not impair their ability to govern. Similarly, scrutiny from the outside, for example by organizations such as Human Rights Watch or Amnesty International, while calling attention to the lack of institutionalized political rights in the country, do not impact on the ruling families’ ability to carry out their governing functions. Overall, there is only a small minority in the country that questions the right and ability of the rulers to govern. There is no sustained pressure on the government to change its current course.

The UAE constitution explicitly recognizes the right of assembly (Article 33), although the government also 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. In March 2013, 94 defendants were placed on trial for “establishing an organization that aimed to bring about the government’s overthrow,” referring to the local Muslim Brotherhood Al-Islah group (the so-called “UAE 94”). In July 2013, 69 of those defendants were given prison sentences of up to 15 years. Another continuing concern is the treatment of migrant workers. Strikes have been dealt with harshly, including prison sentences followed by deportation of the strike leaders. Authorities have responded to some international criticism, but the implementation of change remains arbitrary. A minimum-wage law, for example, has never been implemented. Overall, tolerance for freedom of association in the UAE saw a continued decline in the reporting period.

While the UAE constitution guarantees all citizens “freedom to hold opinions and expression of the same” as well as “freedom of communication,” the government continued to severely restrict freedom of expression during the period under review. Existing laws prohibit both criticism of the ruler and any speech that may encourage or create unrest, and they authorize censorship of domestic and foreign publications to remove criticism of the government or statements that are deemed threatening to social stability. A new anti-terrorism law passed in August 2014 contains clauses that can be used to further restrict rights. Article 14 punishes with death or life sentence acts intended to undermine the stability, safety, unity, sovereignty or security of the state.” Article 15 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.” These laws are regularly applied, and, throughout 2013/14, numerous UAE nationals were arrested and subsequently sentenced for critical messages posted on social media. The country was ranked 118 out of 180 countries in the 2014 World Press Freedom Index, having fallen 31 places in four years. At the same time, it should be mentioned that aspects of the abovementioned media restrictions have been debated in the country, with the government taking steps to stop the jailing of journalists.

3 | Rule of Law

Power in the UAE remains 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 do as the executive is under no constraint to feel restricted by such 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 no clear dividing line between the public and private sectors. While the government has vowed to introduce more political reform, there is clear emphasis on gradualism that seeks to maintain the system as it exists. No specific reforms were implemented during the period under review that moved towards a clearer separation of powers. 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.

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.” In reality, court decisions are 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. During the trial of 94 members of the al-Islah Muslim Brotherhood organization in 2013, procedural irregularities were cited while no international or independent media were allowed to cover the proceedings. This led to criticism in November 2013 from the U.N. Working Group on Arbitrary Detention. Following a visit to the UAE in early 2014, U.N. Special Rapporteur on the Independence of Judges and Lawyers Gabriela Knaul stated that, despite some
progress, the UAE “still faces challenges that directly affect the delivery of justice, the enforcement of peoples’ human rights and the public’s confidence in the judiciary.” The government does acknowledge some of the criticism and has vowed to introduce reform in an effort to make the UAE’s judicial system more transparent and objective. The 2014 World Justice Project’s Rule of Law Index ranks the UAE judiciary as first among seven rated in the Middle East and North Africa, and 27th out of 99 countries reviewed globally.

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 has begun to take steps to stamp out such practices. An Audit Bureau was established in the 1990s to take action against abuses of power. A federal anti-corruption law drafted in 2013 has yet to take effect.

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, no other significant cases have come to light. The UAE still falls short on legislation that meets international standards. One area of concern is the concentration of power among political elites who ensure their authority and personal interests by maintaining widespread networks of patronage, thus ensuring a level of impunity.

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 140 nationalities as part of its population, there is great deal of 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.

Civil rights for the stateless Bidoons (in Arabic, literally “without”) have long been a weak point in the UAE. In 2012, following a $200 million deal with the Comoros, UAE authorities convinced a reported 8,000 Bidoons to take on Comoros citizenship. Those Bidoons accepting this proposal were promised the option of obtaining UAE citizenship later; only a handful have been granted UAE citizenship so far.

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 both UAE nationals as well as non-nationals. In a report released at the end of 2014 titled “There is no freedom here,” Amnesty International documents
more than 100 cases of arbitrary arrest, harassment and intimidation, unfair trials and cases of ill-treatment. Many of these cases have been prosecuted under new anti-terrorism laws, with individuals charged with threats against state security. Cases since 2013 include the arrest of 13 women in January 2013 for operating a “secret organization”; the trial of the so-called “UAE 94,” members of the al-Islah Muslim Brotherhood group, 69 of whom received prison sentences; and the subsequent arrests of UAE nationals for criticism of the state via social media.

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. In addition, large groups of migrant labor and female domestic workers continue to be subject to abuse and exploitation including, for example, the withholding of salaries. Civil society organization have also been shut down and told to cease operations.

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.

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 governmental institutions. Leading government officials repeatedly stress the need to improve on such performance, for example the “UAE Vision 2021” strategy, released in 2014. 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, due to both the performance of the government and the negative regional examples of Egypt, Syria, Libya and Yemen given the developments that have taken place there since 2011. The bottom line is that people are content with the way political decisions are made and implemented. If anything, the existing top-down decision-making system does act as a barrier for younger UAE nationals who are keen on contributing to the functioning of government with their ideas and initiatives. But even on this front, there has been progress, and the government has pushed for the greater inclusion of young UAE nationals in the overall apparatus.
The government institutions that exist in the UAE are legitimate and accepted by a strong majority of the population. In this context, the ruling families 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 no mention, however, of 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. Such limited steps, however, highlight the fact that the government does not feel the pressure to move forward on this front and will only do so when it feels the timing is right and not due to societal pressure.

5 | Political and Social Integration

There continues to be no change in this category for the UAE as compared to other previous BTI assessments. The formation of political parties is illegal. In fact, political parties are often portrayed by governmental leaders as polarizing and threatening the unity of the state and the cohesiveness of society. Instead, 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, therefore underlining that there is no need to make potential adjustments. The government is aware that as the population grows and becomes more diverse, the process of government also needs to adjust; but UAE officials do not see this as necessitating a political party system. As Minister of State for Foreign Affairs Anwar Gargash 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.”

Interest groups, within the context of civil society, play only a very minimal role within the UAE and have no impact on the governing system in the country. Overall, associational life is weak and the public space between the nuclear family and the state is sparsely populated. Exchange of an associational nature largely remains confined to the family or tribal affiliation, while other forms of engagement are largely discouraged. The government is said to have contemplated a legal framework with regard to the establishment of nongovernmental organizations, but the political turmoil in the region, also as a result of the “Arab Spring,” has put such a step on indefinite hold. In addition, the government has actively interfered in the work of the organizations that do exist, including disbanding the board of the UAE Jurists’
Association and closing several foreign offices in 2012, including the U.S. National Democratic Institute and the German Konrad Adenauer Foundation. Overall, the range of interest groups that can exert political influence is extremely limited, with much representation only occurring in isolated social segments.

Surveys conducted in 2010/11 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. No additional survey data is available for the period of February 2013 to January 2015. While discussions continue in social media over the need for political reforms, the negative examples of political development in Egypt, Syria, Iraq, Libya and Yemen over these two years, plus the fact that UAE nationals continue to live a secure and comfortable lifestyle, likely mean that notions of democracy are not top priorities. There remains a strong consensus that political reforms should not come at the expense of national stability. Also, there is great mistrust of external initiatives, such as U.S. efforts to promote a transition to democracy, which are seen as blatant interference.

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 November 2014, the government said that a composite index measuring pride and sense of belonging among UAE nationals stood at 90%. According to the UAE’s 2021 vision, the goal is to reach 100% by that year.
II. Economic Transformation

6 | Level of Socioeconomic Development

Poverty and inequality are minor issues of concern in the United Arab Emirates, with only a small part of the population impacted by them. Supported by strong oil prices, the UAE economy has doubled in size between 2004 and 2014. Per capita income rose to $65,000 in 2013, putting the UAE ahead of countries such as Switzerland. The government undertakes significant and widespread investment both in domestic infrastructure and the expansion of social services. The 2014 federal budget allocated 49% for social development projects as well as education and health provision. There is also a strong commitment to continue with economic diversification strategies. In the 2014 Human Development Index, the UAE occupied the 40th position, showing continued improvement and advancement. Gini coefficient data is not available for the UAE. There are still issues of poverty in the smaller emirates of the UAE federation, although the government has acknowledged the need for further investment here. With the UAE’s population consisting of about 85% foreigners, there is also the issue of many of them, particularly the “blue-collar” workers, being excluded from the social safety net. However, the country ranks high as a destination for employment and residency.

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<td>0.9</td>
<td>1.1</td>
</tr>
<tr>
<td>Unemployment</td>
<td>%</td>
<td>3.1</td>
<td>4.2</td>
<td>3.8</td>
</tr>
<tr>
<td>Foreign direct investment</td>
<td>% of GDP</td>
<td>6.0</td>
<td>1.9</td>
<td>2.6</td>
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<tr>
<td>Export growth</td>
<td>%</td>
<td>11.6</td>
<td>2.5</td>
<td>5.7</td>
</tr>
<tr>
<td>Import growth</td>
<td>%</td>
<td>14.9</td>
<td>2.1</td>
<td>10.5</td>
</tr>
<tr>
<td>Current account balance</td>
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### Economic Indicators

<table>
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<th>2005</th>
<th>2010</th>
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<th>2014</th>
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<tr>
<td><strong>Public debt</strong></td>
<td></td>
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<tr>
<td>% of GDP</td>
<td>6.6</td>
<td>22.2</td>
<td>15.9</td>
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<tr>
<td>External debt</td>
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<tr>
<td>Total debt service</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>% of GDP</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Cash surplus or deficit</td>
<td></td>
<td></td>
<td></td>
<td>0.2</td>
</tr>
<tr>
<td>$ M</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td><strong>Government consumption</strong></td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>% of GDP</td>
<td></td>
<td></td>
<td></td>
<td>7.1</td>
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<tr>
<td><strong>Public expnd. on education</strong></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>% of GDP</td>
<td>6.9</td>
<td>8.6</td>
<td>6.8</td>
<td></td>
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<tr>
<td><strong>Public expnd. on health</strong></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>% of GDP</td>
<td>1.4</td>
<td>2.4</td>
<td>2.3</td>
<td>-</td>
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<tr>
<td><strong>R&amp;D expenditure</strong></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>% of GDP</td>
<td></td>
<td></td>
<td></td>
<td>-</td>
</tr>
<tr>
<td><strong>Military expenditure</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% of GDP</td>
<td>3.7</td>
<td>6.1</td>
<td>5.9</td>
<td>5.7</td>
</tr>
</tbody>
</table>

Sources (as of October 2015): The World Bank, World Development Indicators 2015 | International Monetary Fund (IMF), World Economic Outlook, October 2015 | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database 2015.

### 7 | Organization of the Market and Competition

The UAE government actively pursues an economic liberalization strategy, and market competition is generally encouraged. The UAE’s Vision 2021 strategy sets the goal of 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. In this context, viable economic diversification strategies play a key role. The UAE has also strengthened its regulatory environment to attract investment and encourage leading global companies to establish themselves in the UAE. Free zones throughout the country have made it possible for foreign companies to come in without having to abide by the country’s sponsorship laws. Some restrictions still exist. For one, there is no clear dividing line between the private and the public sectors, with many companies, in fact, owned by the government (Dubai Ports World, the airline Emirates, etc.). As a result, the ruling families are actively engaged in economic activity. There is also a lack of clear legal frameworks, especially in the real-estate sector. Moreover, exclusive agency distribution agreements remain in place, ensuring that traditional merchant families have virtual monopolies over certain economic sectors. These issues do inhibit open business practices, but not to the point that they present a serious obstacle. There are aspects of the informal economy that still play a role, although the government has taken steps to regulate all aspects of economic activity. The UAE ranks 22nd in the World Bank’s 2015 Doing Business Report and has continuously improved in recent years.
The UAE has been criticized by the World Trade Organization (WTO) of the monopolistic practice of exclusive distribution agreements whereby agencies have control over the distribution of certain commodities. Given the close proximity of leading merchant families to the government, and the substantial amount of control these families maintain over key economic activities and sectors, there is some hesitancy to break this control. The UAE nevertheless has responded to the WTO recommendation and enacted a first competition law, which took effect in February 2013. The law prohibits price fixing, collusion tendering or dividing the market by competitors geographically, and it includes sanctions for companies found engaging in anticompetitive behavior. At the time, the law exempts 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. In January 2015, UAE Minister for Economy Sultan al-Mansouri stated that the Commercial Agencies Law would be expanded to other sectors, although he left the timing and the scope of the revision open. Strategic sectors such as telecommunications have been opened to competition, but the overall effect has been to move from a state-controlled monopoly to a state-controlled duopoly.

The UAE has been an active member of the World Trade Organization since joining it in 1996. The latest edition of the WTO’s Trade Policy Review Report, issued in 2012, stated that the UAE “has a liberal trade regime” with only a few non-tariff barriers. The report further noted that the UAE is an active member of the Doha Development Agenda, including “presenting proposals to eliminate tariffs and non-tariff barriers (NTBs) on raw materials and submitting an initial offer in trade in services.” 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. There have also been moves to liberalize the agencies law. In addition, the customs union of the GCC states became fully operational at the beginning of 2015, with final barriers having been resolved. No export subsidies have been identified by the WTO, and trade restrictions are usually applied on safety, religious or moral grounds. The WTO has recommended that the country establish an independent body to combat harmful practices in international trade (dumping, subsidies, trade barriers, etc.), especially within the petrochemical industry. On the regional level, free-trade-zone negotiations are being pursued with countries including China, India, Korea, the European Union and the United States. Outside of Singapore, none of these agreements have been concluded; the GCC instituted a review process that was not concluded by the beginning of 2015.
The UAE’s banking and capital market system is well developed. Although regulatory requirements remain behind international standards, revisions are being undertaken to close the gap. Leading international and local banks operate in the emirates, including Deutsche Bank, HSBC, UBS, BNP Paribas, Emirates NBD and the National Bank of Abu Dhabi. In total, there are 23 national banks, six GCC banks and 22 foreign banks operating in the country as of January 2013. In addition, there are 25 finance companies, 23 investment companies and 120 exchange houses. Moody’s Investor Service, in a report issued in November 2014, stated that the UAE banking system remained stable, with a largely positive 12-to-18-month outlook in terms of bank profitability, strong capital buffers and sufficient liquidity. It further noted that all issues related to bank distress over the past 35 years had been resolved without depositor or bondholder losses. The deputy director of the Institute of International Finance (IIF) noted in May 2014 that the UAE banking system had witnessed a strong rebound in profitability, a decline in nonperforming loans (NPLs), and positive asset growth. The UAE ranks well above average in its bank-capital-to-assets ratio, with a rate of 15.2%, while the nonperforming loans ratio comes in at 7.1%. This is still high as a result of the rapid growth in loan disbursement during the period before the global financial crisis, which also impacted the UAE. 2013 results showed an increase in annual profits by the leading banks of 14%. By the end of 2014, the UAE had not provided a timeline regarding the Basel III implementation by the central bank on bank resolution regimes.

8 | Currency and Price Stability

Inflation picked up in 2013/14 due to a quickly expanding economy and rising domestic demand. While the rate remained a modest 1.1% in 2013, prices increased by 4.2% in 2014, in large part due to increased demand in the housing market. It was the fastest annual increase since 2009. Contributing factors include the UAE’s stability, which continues to attract thousands of expatriates to the country, especially from neighboring Arab countries suffering from political turmoil; and the UAE’s determination to attract global events like the successful application of Dubai to host the World Exhibition in 2020. The government does closely monitor developments and will intervene to set price limits for certain staple food and commodity items when it feels this is necessary. The director of the Customer Protection Department at the Ministry of Economy indicated in May 2014 that price inflation remains under control, with the government monitoring developments. Monetary tools available to the central bank to rein in inflation are limited, given the UAE dirham’s continued peg to the dollar. Proposals to loosen the peg or switch to a currency basket have been offered, but due to the UAE’s close foreign policy and defense relationship with the U.S., factors beyond pure economics play a role in such a decision.
Ensuring macroeconomic stability is a cornerstone of government policy that is clearly outlined in the 2021 Vision document released in 2010. Backed by a high oil price environment that existed until mid-2014, the country has undertaken large-scale investments in infrastructure and services development alongside various economic diversification efforts. The result is that the UAE is consistently listed as one of the most competitive economies in the world. Lessons have been learned from the expansionary strategy in the years prior to 2008, when the global economic and financial crisis led to numerous projects being put on hold or cancelled completely. As the economy has rebounded, some of the project work has returned but not at the same scale as before. Public debt stood at 40.9% of GDP in 2013, with government expenditure reaching 6.8% of GDP. The country has accumulated strong reserves, which were listed by the World Bank as $68 billion as of 2013.

9 | Private Property

Property rights and the regulation of property acquisition, benefits, use and sale are only nominally defined in formal law with sufficient specificity. At the outset, it needs to be understood that property acquisition rights vary between UAE nationals and expatriates, with nationals having the right to own property anywhere in their emirate, while expatriates are 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 cancelled 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. While a new Real Estate Investor Protection Law, which would include, among other things, complete refunds to investors in case of project cancellation or delay, or the right to seek compensation, was to be issued in early 2013 but was still awaiting formal approval at the end of 2014. Moreover, this law would only apply in the emirate of Dubai and not the UAE as a whole. The result is that particularly in Dubai, which is where most property issues arise, numerous legal cases stemming from the property market collapse in 2008/09 remain unresolved.

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. One result is that the UAE was ranked 22nd out of 189 countries in the World Bank’s 2015 Ease of Doing Business Report. Privatization processes are conducted largely on the basis of market principles. However, 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, has raised issues of transparency and conflict of interest. In addition, no clear distinction
is made between ownership by the ruler and by the government. The large merchant families hold an oligopolistic position, with power concentrated within 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. 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 2015 federal budget allocates 49% to the provision of social services, with the emphasis on education, healthcare, other social services and developing government services. Prime Minister and Ruler of Dubai Sheikh Mohammed Bin Rashid stated in October 2014 that “investing in and meeting the needs of its citizens are the cornerstones of the UAE government policies.” While direct payouts, like the debt forgiveness and salary increases that followed the outbreak of the “Arab Spring” protests throughout the region in 2011/12, were not repeated, the government ensures that UAE nationals lead a comfortable life. Instead, one focus has been on proper employment strategies to ensure that UAE nationals can integrate into the labor market. Here, members of the advisory Federal National Council have asked the government to provide financial incentives in order to attract citizens in professions such as nursing, tourism, the media and teaching. The entire width of social services does not apply to the large expatriate community in the country.

In principle, there are no formal restrictions in place for UAE citizens in terms of access to employment opportunities, education, access to public services or various other assistance mechanisms. However, unspoken restrictions do exist, such as the distribution of high-level positions in accordance with tribal affiliation, although merit-based considerations are increasingly applied. At the emirate level, local citizens are given preference in hiring over individuals coming from other emirates. It is the official government policy to fight discrimination on the basis of sectarian ideologies. While national unemployment does exist, this is not the result of inadequate opportunities but rather – at least in part – of citizens continuing to prefer public-sector employment over the more competitive private sector. Women have steadily increased their active role in the economy and society, although the World Bank gives the labor force participation rate for women at a relatively low 47%. The 2014 World Economic Forum’s Global Gender Gap Index listed the UAE 115th out of 142 countries. While the report cited advances in education and literacy, it also noted shortcomings in economic participation, opportunity and political
empowerment subindexes. In early 2015, the government announced the establishment of a Gender Balancing Council in order to further promote the role of women in the country’s economy and development. Overall, women have stepped up their role in UAE society and are poised to build further on such success.

11 | Economic Performance

The UAE economy performs well and has a strong foundation. Its outlook is positive despite the significant fall in oil prices beginning at the end of 2014. The country’s GDP rose to $419 billion at the end of 2014, recording a 4.8% growth rate over the previous year. Overall, the economy has doubled in less than a decade. Moreover, the International Monetary Fund has predicted continued strong growth in the coming five years, also due to the fact that economic diversification efforts have led to a declining contribution of oil exports as the mainstay of the economy. The country has set itself a goal of less than a 5% contribution of oil to the economy by 2021. Other factors that contributed to the positive climate are relative price stability (despite the tremendous growth rates being achieved), low debt levels and a stable current accounts position. The UAE remains the second-largest Arab economy after Saudi Arabia.

12 | Sustainability

Environmental issues are highlighted by UAE official policymakers, but a sustainable environmental policy remains secondary to considerations of economic development and political factors. While the UAE’s 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, the UAE still takes third place in terms of its per capita ecological footprint as listed in the World Wildlife Fund’s 2014 Living Planet Report. This footprint measures the amount of land and water needed to produce the resources a population consumes and to absorb its CO2 emissions. Only the fellow Gulf states of Qatar and Kuwait were ahead of the UAE, in second and first place respectively. The UAE’s position has not improved, despite starting an Ecologic Footprint Initiative in order to handle some of the environmental challenges that the country faces.

Air pollution is an important topic that has not received sufficient attention and the country continues to use groundwater at a rate that is 20 times higher than its ability to replenish it. The rapid growth in the country’s population, which reached 9 million in 2014, compared with just 180,000 in 1968, is one major factor impeding the implementation of environmental policies. Such growth has led to ever-increasing
demand for electricity, infrastructure, water and sewage treatment facilities. Razan al-Mubarak, secretary general of the Environmental Agency in Abu Dhabi, admitted in a speech in January 2015 that the speed of development represents a challenge. She argued that only a combination of better-diversified strategies, proper planning and changing consumer demand habits could in the end be successful.

At the same time, numerous initiatives have been launched in response to environmental concerns. Today, 65% of all green buildings in the Middle East region are located in the UAE, and a 2015 target protects 10% of the country’s land as part of a better biodiversity strategy. The government has also signed, although not yet ratified, numerous wildlife and environmentally related conventions, including the Convention on Climate Change, 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). There is also a strong grass roots effort underway to increase environmental and sustainability awareness, with the effect that government has responded and picked up on some of these initiatives.

The UAE has placed education at the core of its national policy and continues to engage in widespread reform efforts to reach its goal of developing a first-rate education system. The UAE offers all citizens free comprehensive education from kindergarten to university. Budgetary allocations have seen significant increases over the years, and the 2014 federal budget allocated 21% to education, or a total of $2.7 billion. The UAE Vision 2021 documents lists, as targets to be achieved by the year 2021, 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. At the beginning of 2015, the UAE hosted branches of 40 leading international universities in addition to national institutions such as the Emirates University, the Higher Colleges of Technology, and Zayid University. Education reforms are also being implemented at the primary and secondary level, with bodies such as the Abu Dhabi Education Council and Dubai’s Knowledge and Human Development Authority being created to ensure that accreditation standards are maintained and teacher qualification standards improved. In January 2015, a training initiative called Tanmia was launched, through which all public school teachers undertake professional development as a means to improve the quality of teaching. The overall result is that the UAE performs well when it comes to its literacy rate (90%), the ratio of female-to-male enrolment (97.4%) and its gross enrolment ratio (108.3%). Overall expenditures in R&D stood at 0.49% of GDP, according to the World Development Indicators 2014.
Transformation Management

I. Level of Difficulty

There are few 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. This has both positive and negative impacts. On the positive side, governmental policies can be implemented quickly and with little bureaucratic delay. In addition, budgetary allocations are approved quickly and governmental institutions are provided the tools with which to accomplish their objectives. On the more negative side, there remains some lack of coordination between federal and emirate-level policies. The top-down decision-making structure also inhibits powers of delegation, leading to some frustration among UAE nationals trying to advance their careers. The lack of transparency and accountability in decision-making processes can also be seen as a structural impediment. Externally, the country faces the constraint of being a small state surrounded by more powerful countries in an unstable region. As such, the UAE is faced with some limitations when it comes to being able to pursue its national interest without restraint. Throughout 2013/14, the UAE adopted a more assertive foreign policy, however, allowing greater room for maneuverability.

Civil society in the UAE remains overall weak, with the government having undertaken a concerted effort since 2011 to restrict the work of civil society organizations in the country, at least those that engage politically. The government does encourage civic engagement among its nationals in terms of community engagement, and in this context introduced, in June 2014, mandatory military service of nine months for all UAE male nationals aged 18 – 30 years (women may join voluntarily). This is, however, not the same as a strong independent civil society sector. Overall, the number of institutions that can be considered part of an active civil society is small, composed of only a few professional associations and voluntary groups. The development and maintenance of social trust is therefore accomplished through personal relationships rather than institutionalized organizations. Beginning in 2012, the government pursued a campaign against members of the al-Islah movement, which the government saw as trying to undermine state authority and seeking to establish an Islamist government in the UAE. Trials held in June 2013 resulted in prison sentences for the majority of defendants. Overall, the UAE
The UAE government has actively moved against any institutions or movements that it sees as infringing on its political authority. While several new organizations were established in 2013/14 that function as so-called think tanks, none of these can be considered truly independent.

The UAE did not experience any significant violent incidents based on social, ethnic or religious differences during the 2013 to early 2015 review period. The potential for such violence remains low, although the participation of the UAE in the international coalition fighting the Islamic State group in Iraq and Syria could make the UAE a target for potential terrorist activities. To prevent this, the government undertakes widespread surveillance and monitoring. It also takes a very strict and harsh position against any violent activity inside the country, including jail terms followed by deportation for expatriate offenders. In the case of UAE nationals involved, the response has included stripping individuals of their citizenship. Given the large expatriate community in the country, there has been an increase of regular criminal activity, with some incidents linked to organized crime networks or the trade in illegal alcohol.

II. Management Performance

14 | Steering Capability

The UAE government engages in regular strategic planning processes, which include regular review sessions and mandatory adjustment periods. Individual emirates have drawn up strategic documents, including the Abu Dhabi Plan 2030 and Dubai’s Strategy 2015. The defining strategy is the UAE’s Vision 2021 document, which outlines the priorities as a cohesive society and preserved identity, a first-rate education system, world-class healthcare, 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 by the year 2021. Such strategy has the string support of the population and is based on a consensus position among all actors of society. This includes an emphasis on innovation and enhancing governmental services. Prime Minister Sheikh Mohammed Bin Rashid Al Maktoum stated in early 2015 that, in order to succeed, governments must be engines of innovation. Yet, the government’s long-term strategic aims do not include a transformation toward democracy based on the rule of law.
On the key strategic priorities of economic diversification, improving educational standards, and promoting national identity, the UAE government is able to show significant progress. Backed by ample financial resources and a lack of domestic constraints, the government can proceed swiftly to implement outlined objectives and it has to a large degree done so. On other key priorities such as a sustainable environment and a fair judiciary, the results are more mixed. Implementing broad environmental policies often takes a backseat to the priorities of achieving fast-pace economic growth. As such, sustainability targets lag behind and stated objectives have little concerted government backing. Regarding the judicial system, there is little movement towards an independent judiciary, and political interference remains a significant obstacle. Thus, while the government is certainly able to implement its decisions effectively, those decisions are not always within the framework of working towards a democratic system, and there are limits to what the government is willing to accept. Equally, policy goals are pursued with an emphasis on short-term accomplishments rather than the more tedious task of long-term institutionalization and widespread administrative reform.

UAE government leaders strive to keep their policies fresh and applicable and, as a result, a regular review and learning process is a central part of the policy environment. For its strategic priorities, the government has listed specific performance indicators for each of the objectives outlined in the UAE Vision 2021 document. This allows for concrete measurement and therefore provides a good guide to see if policies are reaching their goals. Given the ample economic resources at its disposal, the government is also ready to take risks and lay out broad visions, even those that might appear unrealistic. In this context, innovation is one of the core concepts by which the government operates. The UAE launched a National Innovation Strategy in October 2014 with the aim of making the country the most innovative nation in the world by 2021, which corresponds to the 50th anniversary of the founding of the state. The year 2015 was named the Year of Innovation by the UAE’s president and, in early 2015, the government announced a $1.2 billion, seven-stage plan to make innovation the driving force in educational policies. It also announced the creation of the post of a chief executive officer of innovation for every government department. All of the above is conducted in a framework of developing solutions that are based in UAE traditions and not simply imported from abroad. A significantly higher degree of emphasis during the reporting period here has in fact been placed on recruiting and placing UAE nationals in positions through which they take on greater shares of responsibility. The government’s policy learning, meanwhile, is not intended to promote a transformation towards democracy based on the rule of law.
15 | Resource Efficiency

Given the tremendous financial resources available to the state, the efficient use of those resources needs to be seen from two perspectives. On the one hand, the government spends its available funds on the development of the country, it pursues a balanced budget, state debt is negligible, and there is little evidence of widespread corruption or cronyism. There is further a constant push through government directives for improving public administration, and state employees are given ample opportunities to improve their skills and undertake learning activities. On the other hand, the vastness of available resources also means that there is a duplication of services; the public sector is overstaffed, given the preference of UAE nationals to seek public-sector employment with its better pay and shorter hours; and the fact that oil revenues are not included in the federal budget calculations, together mean that the overall budget process lacks a minimum degree of transparency and accountability. The appointment of public servants also tends to be made more on the basis of tribal affiliations or personal relations, although merit-based considerations are clearly in the ascendancy. Overall, upward mobility is based on loyalty to the state and the ruling family, rather than on professional qualification alone. Centralization is still prevalent, with little movement occurring to establish institutions with legal and financial autonomy.

As the government clearly lays out the strategic priorities to be pursued, the potential for competing political interests that could impact implementation is limited. The fact that political power is also concentrated among a limited number of officials makes the process of policy coordination easier and largely effective. The government makes consistent efforts to ensure that all ministries and agencies are working within the framework of nationally developed strategies. While the country’s federal structure leads to some overlap, the system as a whole operates on a consensual basis, increasingly with coordinated approaches to problem solving. There is little history of dissent among government officials, and friction within the government itself is kept to a minimum.

The interests of the seven individual emirates are represented in a well-balanced relation within the Supreme Federal Council (where the rulers gather) and the Federal National Council (the semi-elected parliament). At the same time, it is clear that the larger emirates of Abu Dhabi and Dubai dictate the direction of national development, with the five smaller emirates playing a subordinate role.
The UAE government is publicly committed to fighting corruption and continues to put 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. A review process conducted in 2013 to evaluate compliance of the UAE with the U.N. convention stated that the country had undertaken significant steps, although further work remained. The country’s first anti-corruption law, proposed by President Sheikh Khalifa Bin Zayid Al Nahyan in 2012, had not been implemented by January 2015. Other shortcomings include the fact that the government does not conduct regular audits of state spending, that the public procurement process lacks full transparency, and that much public and private business is conducted at a personal level. It is also not clear to what degree the commitment against corruption is pursued when it comes to potential cases involving members of the ruling family. All this indicates that stamping out corruption will continue to be an issue for the UAE.

16 | Consensus-Building

Democracy is not a significant issue of debate in the UAE. The population of UAE nationals views the government as being highly legitimate and believes the country is on the right path. The turmoil that has engulfed the entire Middle East, especially since 2011, and in particular the political instability in Egypt, Syria, Iraq, Libya and Yemen, have strengthened the government’s argument that change must be slow and evolutionary so as not to disrupt fragile societal balances. There are UAE citizens who have demanded more widespread political reforms, but these are in the minority and are unable to exert enough pressure on the system to adopt a different approach.

There is a strong consensus in the country concerning the benefits of the market economy, and 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. Given that the UAE has a relatively small national population in comparison to its position as a leading oil producing country, the size of the wealth 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 foreign blue-collar workers.
Pro-democracy reformers in the UAE have only very limited influence over the government, if any, to implement greater political reforms and open the country for more widespread political participation. Since the outbreak of political reform throughout the Arab world in 2011, the government has cracked down hard on anyone advocating political reforms. All signatories to a petition issued in 2012 calling for reforms and for more responsive government have been pressured, forced to withdraw their support for the petition, or jailed. Combined with the fact that the majority of the population does not advocate an active political reform course, this means there is little chance of success. In addition to creating a security apparatus that monitors all types of potential political activity in the country, the government has also passed new legal restrictions in the form of anti-terrorism legislation that basically allows the government to intervene in any form of action that is considered harmful to the country. There is extensive cooperation on this issue 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. The overall outlook for pro-democracy reformers is not positive in the UAE.

Given its monopoly over power and the use of force, the UAE government is capable of containing 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. Still, there are several societal cleavages of relevance in the country. One is the large discrepancy between the population numbers of Emirati nationals and expatriates. The former make up merely 12% of the total population. Despite the fact that the government has identified this cleavage as a major security threat, no significant action has been undertaken to reduce the gap. A second dividing line is between the majority Emiratis who support the current political system and those that want to see changes implemented, whether in the form of greater democracy or in imposing a more Islamic-oriented government. A third cleavage is the one between the current rulers and the large generation of young Emiratis who are seeking to gain access into the political system, and who seek greater responsibility within the social structure as a whole. In all of the above cases, the government takes a hard line against offenders of the official line by deporting laborers seen as having engaged in or instigated violence, or in jailing political activists and even withdrawing their citizenship. With regard to youth issues, a military service period was introduced in 2014 to instill values of citizenship, community service and loyalty to the country. Taken together, the existing resentments are not seen at this time as having potential for sparking widespread domestic conflict.
The UAE government does not enable any significant civil society participation, at least in the institutional sense. Civil society actors in the form of think tanks, labor unions, or professional associations are not included in the agenda-setting, policy-formulation or decision-making processes. Yet the definition of civil society can also be understood differently than in a conventional Western context. Instead of civil society being composed of autonomous groups and allowing for a differentiation of views, the UAE government incorporates the views of its population among more informal lines, including so-called majlis sessions where rulers discuss issues with a wide sector of society. In this context, civil society acts in an advisory capacity rather than in the form of pressure groups. While the government does not make it explicit, the final and sole decision is the clear prerogative of the ruling family, even as it considers citizen views. The UAE leadership does encourage its citizens to engage with their community and contribute to the economic and social development of the country. This is an integral part of the UAE Vision 2021 strategy. There has also been a lot of emphasis in recent years on the promotion of a national identity, supported by the introduction of compulsory military service for all male nationals aged 18 – 30.

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. The UAE is not dependent on external development assistance, and instead is a major donor and contributor to international aid programs worldwide. The use of human and development aid is seen as an important instrument within the UAE’s foreign policy. Domestically, given its lack of sufficient national know-how and expertise, the country does make extensive use of external technical expertise, for example, with organizations such as the German Agency for International Cooperation (GIZ), the United States Agency for International Development (USAID) or the Department for International Development (DFID). While the UAE uses the support of international partners to help implement its overall development strategy, it draws a clear line on the issue of political reform, which it regards as blatant interference in its internal affairs.
The UAE is largely considered a credible and reliable partner, both by its regional neighbors and by the broader international community. 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 all of the Arab world. Particularly in terms of moving towards a market economy, the UAE is considered a success story. Its economy has rebounded from the shocks of the global financial crisis in 2008/09 and continues to serve as a hub for regional and global companies alike. Symbolic of its market success is the fact that Dubai’s international airport became the busiest airport in the world in terms of passenger numbers in 2014. As a result of the political turmoil that has engulfed the Arab world since the outbreak of protests in 2011, the UAE government has restricted political reform efforts, clearly preferring domestic stability over efforts to promote a more open political environment. New media, cyber crime and anti-terrorism legislation passed in 2013/14 has been used to clamp down on political expression. Due to such actions, the UAE has been sharply criticized by organizations such as Human Rights Watch, Amnesty International and the European Parliament. However, the UAE’s key allies, including fellow members of the Gulf Cooperation Council, the United States, and individual EU members states do not openly criticize the UAE for its human-rights policy, although it is likely that some of these issues have been raised in private. In response, the UAE government has lashed out against foreign reporting as being biased and unbalanced. At the same time, reforms have been undertaken with respect to human trafficking regulations and better protection for domestic workers and for children. Human-rights issues are a central component of government attention, but the rulers are vehemently opposed to any interference in such issues from the outside.

The UAE is an integral member of the Gulf Cooperation Council, which continues to advance regional integration efforts. For example, the GCC customs union finally started on 1 January 2015, and there are other efforts at bringing about a GCC common market and possibly a common currency. Politically, the GCC is less unified, with occasional disagreements that tear away at regional cohesion. While on the surface relations are cordial and conducted in a friendly atmosphere, there exist some fundamental disagreements that have hampered regional cohesion. Relations with Qatar have been contentious, with the UAE accusing Qatar of threatening regional stability through its support of the Muslim Brotherhood, which the UAE has designated a terrorist organization. The UAE, along with Saudi Arabia and Bahrain, withdrew its ambassadors from Qatar for most of 2014. While relations were said to be on the mend following mediation at the end of 2014, the ambassadors had not returned by January 2015. There are also tensions with Oman and Saudi Arabia: Oman claimed the discovery of an extensive spy ring from the UAE in its country, and Saudi Arabia is generally seen as the big brother not to be trusted. One result has been that the UAE has taken an increasingly proactive foreign-policy position, including unilateral actions that are not always cleared with its allies. In 2014, the UAE cooperated with Egypt to bomb camps of Islamist groups in Libya without
informing the United States and other allies. Where there is agreement, it is with regard to wide-ranging domestic security. The GCC states have agreed on close coordination of internal security and surveillance, greater sharing of information across national boundaries, and unifying policies and plans for joint action. Taken together, the precise nature of further regional integration efforts is somewhat uncertain.
Strategic Outlook

The UAE has continued to make significant advances, especially when it comes to its economic and social development. The reporting period, through January 2015, saw the country post strong economic growth rates, promote an open business environment and take full advantage of the benefits and opportunities afforded by globalization. The combination of high oil income as a motor to the economy, an increasingly diversified economic base that is able to complement the oil-based economy and competent and far-sighted management has transformed the country into a modern state where the population enjoys an exceptionally high standard of living and the government is viewed as completely legitimate.

For many, the UAE is seen as a model to follow for the rest of the region and the wider Middle East, politically as well as economically. This is based on its ability to bring seven disparate emirates together in a workable federal union that has outlasted its critics, together with the fact that, despite significant social dislocation caused by the UAE’s tremendous growth, the transformation to a modern nation-state has been achieved with stability at its core and with an almost complete absence of violence. With the Middle East experiencing unprecedented turmoil with the collapse of institutions and state control in countries such as Syria, Libya and Yemen, the UAE has become a magnet for people trying to escape the violence at home. Thousands of expatriates now call the UAE their home and a base from which they can continue to pursue their economic interest and business practices. All of this is happening with the strong consensus among UAE nationals that the country is on the right path and that the leadership is making the right choices. Regionally, the UAE has served as a precursor to the establishment of the Gulf Cooperation Council and is a generous contributor to development throughout the region and beyond.

Advances towards a market economy are, however, not accompanied by a similar transition to a democratic form of government. At the outset, there is a caveat to consider here in that most UAE nationals would agree that the Western form of democracy is not an applicable form of rule for their country. This makes predicting political stability and viability over time somewhat difficult. Also, given the current state of regional turmoil and the fact that the UAE’s total population is composed of 90% foreigners, a priority is placed on internal security and dealing with any perceived threats to that stability. Still, while the government is seen as legitimate and gets high marks in its management performance, the fact is that, in terms of freedom of expression, expansion of participatory rights and the development of civil society, the UAE has moved forward slowly. Recently it has clamped down on dissent and restricted the political rights of its citizens. Much of this has again occurred in conjunction with the developments in the rest of the Middle East, where political violence has led some countries to the point of almost complete social breakdown. In the minds of the UAE leadership, the stability of the country must be protected at all costs. Thus, the authorities view any potential challenge to their authority as something to be dealt with harshly. The steps taken against members of the local Muslim Brotherhood movement are an example in which the government refused to let this movement gain power, as it had in Egypt in 2013.
Of particular concern have been the steps to take away citizenship from certain nationals, as well as the arbitrary nature of new media, cyber-security and anti-terrorism legislation, which has made anything that taints the image of the country a criminal offense. The government has sponsored a widespread campaign to promote national pride and national identity as a means of not only marginalizing reform-minded nationals, but also highlighting the privileges that UAE nationals enjoy in comparison to the majority expatriate population of the country. This further serves as a warning that the state will act without hesitation against anybody considering engaging in some form of political activity. The authorities have broadened surveillance capabilities to the point of becoming a Big Brother state.

The decline in political rights raises questions about the medium-to-long-term outlook. While the Middle East is currently going through a difficult period, it is hard to imagine a complete return to authoritarianism. Instead, the discourse has permanently shifted and even an economically advanced country like the UAE cannot avoid or ignore the debate about dignity, accountability and greater transparency. Similarly, much of the current stability of the country is based on the economic success that allows all parts of the population to take part in the benefits. A prolonged economic downturn could thus quickly change the terms of debate in which it is unclear whether the political institutions of the UAE would be strong enough to handle challenges of a different sort.

While previous BTI reports on the UAE highlighted the need to enact “a more progressive political reform course able to accommodate rising demands within the governing system,” this has been put off for the moment, largely due to the negative examples of political violence seen in Damascus, Tripoli and Sanaa. Unwilling to see the stability of the UAE endangered, the majority of the population has taken a step back from voicing political demands and thus opened the door for the government to impose its view of things. To be sure, the recommendations offered in the BTIs of 2010, 2012 and 2014 remain valid, including fostering the development of civil society through the passing a comprehensive law on the establishment of nongovernmental organizations; expanding the power of the country’s legislative institution, the Federal National Council, to move beyond its limited advisory capacity; involving more individuals from outside the ruling family in key government positions; and pursuing sustainable policies based on a broad concept of human security. To this, another element can be added in terms of ensuring the independence of the judiciary and allowing for complete accountability before the law, something that has been curtailed with recent legislation.

For the moment, the existing patron-client relationship in the UAE will remain in place for the foreseeable future. The UAE is an open, modern and tolerant society that allows for everyone to pursue their economic goals in a stable and peaceful environment. The UAE Vision 2021 document and the UAE National Charter 2021 represent a clear strategy for the medium-term future that contains such laudable objectives as a knowledge-based economy, a cohesive and stable society, a first-rate education system, a fair judiciary, and a development process based on sustainability. The question that does remain is whether these goals will be implemented in both spirit and letter, or whether some of the aspirations will remain unfulfilled.