BTI 2018 Country Report

United Arab Emirates

Status Index
6.07 # 52
on 1-10 scale out of 129

Economic Transformation
8.14 # 13

Governance Index
5.55 # 45
on 1-10 scale out of 129
This report is part of the Bertelsmann Stiftung’s Transformation Index (BTI) 2018. It covers the period from February 1, 2015 to January 31, 2017. 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.


This work is licensed under a Creative Commons Attribution 4.0 International License.

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

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>9.3</td>
</tr>
<tr>
<td>HDI</td>
<td>0.840</td>
</tr>
<tr>
<td>GDP p.c., PPP</td>
<td>$72419</td>
</tr>
<tr>
<td>Pop. growth¹</td>
<td>1.3</td>
</tr>
<tr>
<td>HDI rank of</td>
<td>188</td>
</tr>
<tr>
<td>Gini Index</td>
<td>-</td>
</tr>
<tr>
<td>Life expectancy</td>
<td>77.5</td>
</tr>
<tr>
<td>UN Education Index</td>
<td>0.708</td>
</tr>
<tr>
<td>Poverty³</td>
<td>%</td>
</tr>
<tr>
<td>Urban population</td>
<td>85.8</td>
</tr>
<tr>
<td>Gender inequality²</td>
<td>0.232</td>
</tr>
<tr>
<td>Aid per capita</td>
<td>$</td>
</tr>
</tbody>
</table>

Sources (as of October 2017): The World Bank, World Development Indicators 2017 | UNDP, Human Development Report 2016. 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

Since its establishment in 1971, the United Arab Emirates (UAE) has become a modern-day metropolis with glittering skyscrapers and all the latest amenities that are available. In the 2016 Arab Youth Survey, the UAE is identified as the top country worldwide to live in, the top country for other nations to emulate, a safe and secure place that offers adequate economic opportunities, and as the top nation in the Arab world to start a business.

This model character comes from being able to combine governmental control and direction with the virtues of neoliberalism. Despite the downturn in oil prices that started in late 2014 (the price of a barrel of oil declined by more than 60% within a matter of months), which severely impacted the budgets of all oil-producing states in the world, the UAE was able to maintain its growth momentum with only a moderate budget deficit in 2016 (3.9% of GDP compared to 13.0% for neighboring Saudi Arabia) and a GDP growth rate of 2.3% for the same year.

Not only is the UAE able to cope with these changing circumstances due to competent investment decision during the years of high oil prices but its push for economic liberalization and diversification over the past two decades has paid off. Today, the UAE is the most diversified economy in all of the Middle East.

The UAE also continue to benefit 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 liberalized 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.

At the same time, there are challenges and shortcomings to be identified. As a small country, the UAE is not immune to the breakdown of regional order and with its involvement in the Yemen civil war starting in March 2015, the UAE has taken on a security and military role that makes the country a target for those that want to challenge it.

The more important challenge might come from the domestic political front given that the UAE’s economic and social progress have not been matched by a similar advancement in terms of political development and broadening participatory mechanism into the political system. Since the outbreak of the “Arab Spring” in late 2010, and continuing during the period of February 2015 to January 2017 under investigation here, the domestic political environment has become securitized to the point that any political dissent is dealt with harshly.

In this context, it can only be repeated that past BTI conclusions remain valid in that the UAE faces no structural constraints that prevent the government from pursuing a comprehensive reform process. The UAE has pursued a calibrated course that seeks to develop and modernize its political process in line with changes occurring at the global level. This includes keeping pace with fundamental ground realities that include a younger population, challenges of resources, the expanding role of women, and a large expatriate population that has come to the UAE in order to benefit from the economic boom and growth. Demography is an omnipresent factor in the strategy and development of the UAE’s political system. At the same time, the UAE places an emphasis on the consolidation of existing ruling arrangements and the prevention of widespread power devolution. Overall, this is a dichotomy that will continue to define the UAE’s future transformation.

**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. 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 talented leadership especially from the first president of the country, Sheikh Zayid bin Sultan Al Nahyan, who ruled the largest emirate Abu Dhabi from 1966 until 2005, and from 1971 until his death in 2005 as the country’s first president, the notion of a viable nation materialized over time. In December 2016, the UAE celebrated its 45th National Day underscoring its growth and perseverance as a federal entity and its position as a widely accepted member of the international community.

While the UAE may have 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 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 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, 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. Beginning in 2006, campaigns were started that encouraged identification with the nation-state and UAE identity. The country’s independence day, December 2, for example, has been celebrated in recent years with a lot more emphasis than had previously been the case.

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. In addition to the tribal-style of governance, institutional forms of government have also been established and are beginning to play a more relevant role.

Economically, the UAE has made tremendous strides in its national development. Backed by the world’s seventh-largest oil reserves (according to the 2016 BP Statistical Review of World Energy) and a small national population of about 1.2 million, the UAE has witnessed its GDP rise from $46 billion in 1995 to $370 billion in 2015. 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. 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 less than all of the other Gulf countries.

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.

Economic progress has however 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 approach the process of expanding participatory political mechanisms for the population at large with caution. Three reasons can be provided for this approach: the lack of an electoral legacy or adequate political awareness; the fact that there exists little scope for error given the prevailing political tension and instability in the Gulf region and Middle East; and the fact that elections in the Arab world had and have proved to be divisive affairs based on sectarian and religious issues which the UAE wanted to avoid.

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 thud often denied and even dealt with harshly. Internal security services are omnipresent and any criticism against the state can be prosecuted. Access to the political system is mostly based 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 national population hesitant to proceed down a quick path to further political development. Rather, the emphasis will remain on gradual government reform with the purpose of the UAE developing its own path and way forward.
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 2015/16 that indicated any threat to the country in terms of its internal stability. Security services are omnipresent and regularly undertake actions against anyone suspected of undermining stability of the country. This, in particular applies to groups with an Islamist background, for example, the al-Islah political group, the UAE’s branch of the Muslim Brotherhood. The UAE continue to act with swift deportation of any foreign national suspected of engaging in any activity that might develop into a threat or in taken away citizenship from individuals viewed as intent on harming the country. None of any of the uncovered activities have so far 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. The process is less clear with regard to obtaining 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, decisions are personal and often done as individual favors. 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. Naturalization is also sometimes a reward for exemplary contribution to the country’s welfare.

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, 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 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 including three individuals in March 2016. 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 to clarify the criteria occurred during the 2015/16 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. As part of a cabinet reshuffle in February 2016, Sheikha Lubna al-Qassimi was named as Minister of Tolerance with the stated objectives of instilling tolerance as a value within the UAE community and beyond. The UAE does take a strict stance against forms of extremism with UAE officials constantly arguing for a complete rejection of extremism while advocating a more moderate version of Islam. The UAE ambassador to Russia, Omar Saif Ghobash, encapsulates this approach in a book he released in 2016 entitled “A Letter to a young Muslim.” In the meantime, the UAE participated in the international coalition against the “Islamic State” (IS) group during 2015 and 2016 and designated a large number of Islamic organizations as terrorist groups. Overall, it can be said that in the UAE religious dogmas does 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. UAE Prime Minister Sheikh Mohammad bin Rashid Al Maktoum stated in that it is the UAE’s aim to serve as a global benchmark when it comes to the provision of government services. As
part of annual Government Summits that were held in February 2015 and 2016 (with the next schedule for February 2017), the government launched the Museum of Future Government Services focusing on technologies through which the government can improve service provision. The 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”, a national planning document that is continuously reviewed and updated, outlines 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. Government performance is regularly reviewed by the country’s leadership as for example by the Prime Minister and Ruler of Dubai Mohammed bin Rashid Al Maktoum, who removed several high-ranking local officials in August 2016 because they were absent during one of his regular inspection tour of government offices. The aim by the government is 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. The UAE also has a stated aim 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 continues 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 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 have so far been held three times in 2006, 2011 and in 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 October 2015, 79,157 votes were cast out of a total electorate of 224,279, meaning that only about 24% of UAE nationals were eligible to vote to begin with of which only 35.29% of those eligible actually casting a ballot. The government has
repeatedly underlined the “commitment of the UAE and its leadership to further promote political participation” and in this context the electorate for the FNC election has been increased for each election period going from merely 6,689 in 2006 to the 224,279 number in 2015. A formal election law to guide future electoral processes has still not been issued meaning that elections are carried out on the basis of executive decrees. The government has further responded harshly to petitions asking for broader political rights with many of those who signed such petitions been subject to jail sentences or being 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 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 prison sentences for endangering the security of the country. Numerous Emiratis have been detained using broad anti-terrorism legislation including 39 UAE nationals known as the Shahab al-Manarah (Minaret Youth Group). There also exists continuing concern over 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 reforms remains arbitrary. A minimum-wage law, for example, has never been implemented. Overall, tolerance for freedom of association in the UAE did not undergo any significant improvement during the 2015-2016 period.
The UAE constitution guarantees all citizens “freedom to hold opinions and expression of the same” as well as “freedom of communication.” 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. Anti-terrorism legislation that punishes with death or life sentence acts intended “to undermine the stability, safety, unity, sovereignty or security of the state” or 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” are regularly applied. Many of these apply to the use of social media and the UAE authorities apply extensive surveillance technologies against various activists. The country is ranked only 119 out of 180 countries in the 2016 World Press Freedom Index, having fallen 32 places in six years. Most journalists engage in widespread self-censorship to avoid running into problems with authorities.

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 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. Moreover, there is no clear dividing line between the public and private sectors. While the government insists that it will gradually expand political participation, there is no indication of a willingness to make any changes to the existing system. During 2015 and 2016, there were no reforms announced or implemented that would allow for 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. Yet, their impact on the policy process remains severely limited.

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. 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. The U.N. Special Rapporteur on the Independence of Judges and Lawyers Gabriela Knaul has stated that 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.” While the UAE responded by stating that some of the report of the Special Rapporteur contained “untrue allegations”, the UAE did acknowledge some of the criticism and vowed to introduce reform in an effort to make the UAE’s judicial system more transparent and objective. This includes Law no. 13 of 2016 which sets of the goal of an independent judiciary in the emirate of Dubai. The law replaces laws from 1992 in the areas judicial inspection, the formation of courts, the establishment of a Judiciary Council, and procedures for Public Prosecution. The 2016 World Justice Project’s Rule of Law Index ranks the UAE judiciary 33rd out of 113 countries reviewed globally with low rankings on fundamental rights and constraints on governmental power.

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. 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. Still, there is a concern over the effectiveness of recent legislation. A survey of Dubai corporate executives in 2016 stated that 66% indicated that their anti-bribery and corruption policies do not work effectively. Jane Valls, Executive Director of GCC Board Directors Institute, further suggested that anti-bribery policies in the UAE remain “weak” and that anti-bribery training “barely makes it on to the agenda.” Another 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. A Middle East Summit meeting on Anti-Corruption is to be held in Dubai in March 2017.

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 150 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. UAE authorities have made deals with countries such as the Comoros to provide citizenship for thousands of Bidoons in order not to give them Emirati citizenship.

In general, people in the UAE are free to pursue their individual goals and interests, but their civil liberties can be 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. Many of these cases have been prosecuted under new antiterrorism laws, with individuals charged with threats against state security. 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 certain degree of abuse and exploitation although a decree putting in place a Wage Protection System starting in October 2016 has taken effect and subjects companies to punitive measures should they withhold salaries for more than 10 days.

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. While discrimination based on ethnicity, religious and sexual orientation does occur, there is little concrete data available that would suggest this is systematic in nature.

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, 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. For example, the Federal National Council (FNC) passed 55 draft laws during its 2011-2015 term including among others the National Service Law, the Anti-Money Laundering Law, passage of the Child Rights Law and a Food Safety Law. The FNC also approved a law on compulsory education, and created a specialized committee to support the country’s human rights efforts at home and abroad. 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. UAE citizens are largely content with the way political decisions are made and implemented. The government also makes an effort for a broader national dialogue and including more 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. Instead, the government prefers to undertake political development cautiously and in a gradual manner due to the country’s and region’s specifications.

5 | Political and Social Integration

The formation of political parties in the UAE is not allowed. In fact, political parties are regularly portrayed by governmental 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, therefore suggesting that government leaders see no need to make adjustments to the existing arrangements. At the same time, there is a degree of awareness within the government that as the population grows and becomes more diverse, the process of governance also needs to adjust. This, however, cannot be equated with any suggestions that a political party system might be necessary. 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.”
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. 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. Engagement on social issues is encouraged but any forms of association that are political in nature are strongly 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 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 nongovernmental organizations such as National Democratic Institute of the U.S. and the Konrad Adenauer Foundation of Germany. Interest groups thus operate in various social segments but these groups do not exert any political influence.

There is no individual public survey data available on the UAE since 2011 that would indicate the attitude of the national population towards the concept and idea of democracy. 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. While there are discussions in social media over possible political reforms, the negative examples of political development in Egypt, Syria, Iraq, Libya and Yemen since 2011, plus the fact that UAE nationals continue to live a secure and comfortable lifestyle, means that a substantive debate about democracy notions does not take place. The 2016 Arab Youth Survey, which included a sample size from the UAE, did voice the consensus that political reforms should not come at the expense of national stability. In addition, there is a high degree of mistrust of external initiatives, such as U.S. efforts to promote a transition to democracy, which are seen as interference in domestic affairs.

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 workers and some of their families. 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%.

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. Backed by a period of high oil prices, the UAE economy doubled in size between 2004 and 2014 with the population benefitting through extensive government expenditure to expand domestic infrastructure and provide a wide array of social services. The majority of the 2017 budget is allocated for social service spending including education (20.5% of total budget), health services (8.6%), social development (6.6%) and housing (3.3%). Per capita income in the country has remained high and reached $67,617 in 2015 according to Moody’s Investor Service. In the 2015 Human Development Index, the UAE occupied the 41st position thus maintaining a high development category. 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 and acted on the need for investment here. The UAE also has the highest ranking in the Middle East in the Gender Equality Index, namely 0.232 in 2014. Poverty and inequality are mostly an issue with the country’s substantial blue-collar and unskilled foreign labor force given that is excluded from the social safety net. Still, the UAE continues to rank high as a destination for employment and residency.

<table>
<thead>
<tr>
<th>Economic indicators</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP $ M</td>
<td>390427.3</td>
<td>403197.7</td>
<td>357949.2</td>
<td>348743.3</td>
</tr>
<tr>
<td>GDP growth %</td>
<td>5.8</td>
<td>3.3</td>
<td>3.8</td>
<td>3.0</td>
</tr>
<tr>
<td>Inflation (CPI) %</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Unemployment %</td>
<td>4.0</td>
<td>4.0</td>
<td>3.8</td>
<td>3.7</td>
</tr>
<tr>
<td>Foreign direct investment % of GDP</td>
<td>2.4</td>
<td>2.7</td>
<td>2.5</td>
<td>2.6</td>
</tr>
<tr>
<td>Export growth %</td>
<td>6.1</td>
<td>1.8</td>
<td>5.2</td>
<td>6.5</td>
</tr>
<tr>
<td>Import growth %</td>
<td>7.5</td>
<td>7.4</td>
<td>-6.0</td>
<td>11.3</td>
</tr>
<tr>
<td>Current account balance $ M</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>
Economic indicators

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public debt</td>
<td>% of GDP</td>
<td>15.7</td>
<td>15.5</td>
<td>18.7</td>
</tr>
<tr>
<td>External debt</td>
<td>$M</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total debt service</td>
<td>$M</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net lending/borrowing</td>
<td>% of GDP</td>
<td>0.2</td>
<td>-0.1</td>
<td>0.0</td>
</tr>
<tr>
<td>Tax revenue</td>
<td>% of GDP</td>
<td>0.4</td>
<td>0.4</td>
<td>0.1</td>
</tr>
<tr>
<td>Government consumption</td>
<td>% of GDP</td>
<td>11.4</td>
<td>11.6</td>
<td>13.6</td>
</tr>
<tr>
<td>Public education spending</td>
<td>% of GDP</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Public health spending</td>
<td>% of GDP</td>
<td>2.6</td>
<td>2.6</td>
<td>-</td>
</tr>
<tr>
<td>R&amp;D expenditure</td>
<td>% of GDP</td>
<td>-</td>
<td>0.7</td>
<td>0.9</td>
</tr>
<tr>
<td>Military expenditure</td>
<td>% of GDP</td>
<td>6.0</td>
<td>5.6</td>
<td>-</td>
</tr>
</tbody>
</table>

Sources (as of October 2017): 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 government continues to actively promote a wide-ranging economic liberalization strategy based on market competition. 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. A 550-strong government task force has been established to monitor the reaching of the 2021 goals and Prime Minister Mohammed bin Rashid Al Maktoum urged all cabinet ministers in August 2016 to speed up their efforts in order to see the 2021 vision implemented. That economic diversification strategies have been effective is reflected in the fact that 70% of the UAE’s GDP comes from sectors other than oil and gas despite the prominence of the hydrocarbon sector for the overall health of the economy. In order to boost transparency but also help attract international investment, the UAE has undertaken numerous steps to strengthen its regulatory environment including in the financial and real estate sector. Free zones throughout the country make it possible for foreign companies to come in without having to abide by the country’s sponsorship laws. That being state, some limitations do exist. For example, there is still 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.). This means that the ruling families remain actively engaged in economic activity. In addition, exclusive agency distribution agreements remain in place, ensuring that traditional merchant families have virtual monopolies over
certain economic sectors. While these practices do inhibit open business practices, they have not been an obstacle to the country’s economic growth or diversification. The informal economy does play a role in particular with regard to the large expatriate population but the government has taken steps to regulate all aspects of economic activity. The UAE ranks 26th in the World Bank’s 2017 Doing Business Report, the highest ranking for an Arab country.

The UAE can be characterized as a state-controlled duopoly with some remaining monopolistic tendencies. This is because 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 degree of control over key economic activities and sectors. Given the close connections, the government is hesitant to limit this control. For such practices, the UAE has been criticized by the World Trade Organization (WTO) which stated in in 2016 Trade Policy Review document that the country’s agency law “contributes to the segmentation of the domestic market … and constitutes a barrier to GCC integration.” At the same time, the WTO praised the UAE for its open economic policies and seeing this as a key element in making the country a global trade hub. In general, the UAE responds to the WTO recommendations including enacting a first competition law, which took effect in February 2013, and opening up strategic sectors such as telecommunication for further competition. However, announcements such as those by UAE Minister for Economy Sultan al-Mansouri in January 2015 that the Commercial Agencies Law would be expanded to other sectors have not been followed up upon and many sectors of the economy including 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 UAE is an active member of the World Trade Organization since joining it in 1996. The April 2016 Trade Policy Review report on the UAE by the WTO highlighted that trade is seen as an essential element in the UAE’s economic diversification strategy. In April 2016, the UAE became the first Arab country to ratify the WTO’s new Trade Facilitation Agreement which allowed the agreement to enter into force for all members. 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 is a strong supporter of further integration of the GCC countries. The GCC customs union became fully operational in January 2015. In January 2017, the GCC announced that it was re-opening its free-trade zone negotiations with numerous
countries such as China, India, Korea, and Australia following a three-year review process.

The UAE’s banking and capital market system is well developed with 23 local and 28 international banks including Deutsche Bank, HSBC, UBS, BNP Paribas, operating in the country as of October 2016. There are a further 25 finance investment companies and 140 exchange houses. Moody’s Investor Service, in October 2016, 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. Central Bank assets stood fixed at $80 billion. Overall, UAE banks are well capitalized and reflect a stable liquidity position. The UAE ranks well above average in its bank-capital-to-assets ratio, with a rate of 16.9% as of 2016 and a non-performing loan ratio in 2015 of 5.2%. Given the low oil price environment that started in late 2014 and which affected all oil-producing countries, UAE banks experienced a 10 to 20% decline in profits in 2016 due to an increase in non-performing loans although the banks still maintained in general double-digit returns. Numerous regulatory steps including lining up with international standards such as Basel III and a new Bankruptcy Law to come into effect in 2017 with provisions for composition procedures, restructuring debt and the provision of liquidation funds are likely to maintain the stability and profitability of the UAE Banking sector. The commitment by the government to the continued development of Small and Medium Enterprises (SMEs), for example the announcement that 20% of indirect and direct spending for Dubai Expo 2020 will go to SMEs is likely another factor that will increase lending efforts to offset the more difficult 2015 and 2016 years.

Banking system

<table>
<thead>
<tr>
<th>2000</th>
<th>2005</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>8</td>
<td>9</td>
<td>18</td>
</tr>
</tbody>
</table>

8 | Currency and Price Stability

Due to rising utility and energy costs, the inflation rate in the UAE picked up slightly in 2016 to 1.8% and the outlook is for a further rise to 2.8% in 2017. Higher education and food costs have also contributed to the increase. The volatility over time of inflation has been controlled to the point that no sudden or dramatic increases are to be expected. 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. At the same time, in order to alleviate the country’s budget deficits which occurred following the drastic decline of the oil price (which still contributes 40% to the country’s GDP), the government began cutting back on utility and fuel subsidies in 2015. The outlook is for the UAE to continue to pull back on subsidies thus ensuring that a modest increase in the inflation rate remains. Other contributing factors to this situation include the UAE’s stability, which has continued to attract thousands of expatriates to the country, especially from neighboring Arab countries suffering from political turmoil; and the UAE’s forward push for to host global events such as Dubai’s holding of the World Exhibition in 2020. Monetary tools available to the central bank to rein in inflation are limited, given the UAE currency’s continued
peg to the dollar. Yet, the Governor of the UAE Central Bank, Mubarak al-Mansouri stated in June 2015 that considerations were under way to change federal banking laws that would allow the Central Bank to control monetary policy independent of the state. Proposals to loosen the currency peg have not been considered seriously with the UAE remaining committed to keeping the peg in place.

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. The global economic and financial crisis of 2008 led to the cancellation or delay on numerous infrastructure projects although some of the projects have been revived in 2015 and 2016 including the completion of the Dubai Canal. While overall public debt stood at 18.1% of GDP in 2015, a significant reduction over previous years, the collapse of oil prices beginning in late 2014 has resulted in the UAE registering a budget deficit of 2.1% and 3.9% in 2015 and 2016 respectively. There are also concerns over the level of debt or the emirate of Dubai which reached 129% of GDP in 2015. With large portions of that debt maturing in 2018, the emirate’s debt serving capacity might be strained although it is likely that its wealthier neighbor Abu Dhabi will come to Dubai’s rescue if necessary.

9 | Private Property

The opening up of the property sector to national and foreigners has been one of the cornerstones of the country’s economic liberalization efforts. Yet, property rights and the regulation of property acquisition, benefits, use and sale have only been slowly defined in formal law with sufficient specificity. While UAE nationals have the right to own property anywhere in their emirate, expatriates, which includes other nationalities from the GCC countries, 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. 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. A Real Estate Investor Protection Law announced in 2013, which would include, among other things, complete refunds to investors in case of project cancellation or delay, or the right to seek compensation, was still not formally issued at the beginning of 2017. A unified structure for lease contracts is said to come into effect in March 2017.
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. The UAE is ranked as the highest Arab states and overall in a high 26th place 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. In addition, more emphasis was given by the government in 2015 and 2016 to expanding the role of women in the economy. 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 2017 federal budget allocates 39.0% to the provision of social services, with the emphasis on education, healthcare, other social services and developing government services. The statement by Prime Minister and Ruler of Dubai Sheikh Mohammed bin Rashid from October 2014 that “investing in and meeting the needs of its citizens are the cornerstones of the UAE government policies” remains valid.

Following the outbreak of “Arab Spring” protests throughout the Middle Eastern region, the UAE instituted steps such as debt forgiveness and salary increases for UAE nationals but with the lower oil price situation as of 2014, UAE nationals have also been asked to carry a greater degree of financial burden with various subsidies such as those related to utility and fuel prices have been significantly reduced. In early 2017, the government urged Emirati youth to think beyond expectations of “comfortable” government jobs and prepare to compete with the rest of the world. Sheikh Abdullah bin Zayid, the UAE Foreign Minister stated: “If you want to participate in shaping the future then you need to stop thinking of a government job.”

A lot of emphasis, meanwhile, is given to 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 and the government has given women empowerment a high priority. 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. Mona al-Marrî, Vice-President of the Council, said in 2016 that it is one of the UAE’s priorities to promote female participation in all sectors. She further stated that it was the aims to make the UAE one of the top 25 ranked nations globally in the Gender Inequality Index devised by the UN Development Programme. As of January 2017, women’s participation in ministerial positions stood at 27.5% while 15% were represented in corporate boards. Some of these steps stand in contrast to international rankings for the UAE. The World Bank gives a labor force participation rate for women at 46% (2014) while the 2016 World Economic Forum’s Global Gender Gap Index listed the UAE in only 124th place out of 144 countries.

11 | Economic Performance

The UAE economy continues to perform well with a strong foundation and a positive outlook despite the significant fall in oil prices since the end of 2014. The country’s GDP stood at $370 billion at the end of 2016, recording a 2.5% growth rate over the previous year. While the economy doubled in less than a decade, the fall in oil prices has resulted in slowed growth and a rising budget deficit. The International Monetary Fund in a 2016 report suggested that the country is well-placed to overcome this slowdown having significant financial reserves and the most diversified economy among all the fellow GCC states. 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

While environmental concerns are consistently highlighted by UAE officials, a sustainable environmental policy remains secondary to considerations of economic development and political factors. Contributing factors to environmental challenges include rapid population growth, urbanization, industrial development, and a rapid rise in tourism and related facilities.

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. As a result, numerous initiatives have been launched in response to environmental concerns. As of 2016, 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. In 2016, a UAE Food Bank was established to rationalize food consumption and reduce wastage. Also, subsidies on water and utility usage have been reduced with real costs passed on to the consumer. Thani Ahmed al-Zeyoudi, Minister for Climate Change and the Environment stated in January 2017 that the UAE was putting together an integrated system to include sustainable infrastructure, emphasizing renewable energies and the adoption of green technologies. As part of the strategy, an UAE Council for Climate Change and the Environment was established in December 2016. This followed the change in the name of the Ministry of Environment to specifically include the reference to Climate Change. The government is also 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). In July 2016, the UAE ratified the Paris Climate Change Accord.

Despite many of these efforts, the UAE continues to be ranked in the World Wildlife Fund’s 2016 Living Planet Report as having one highest per capita ecological footprint in the world. Its position has not improved despite starting an Ecologic Footprint Initiative in order to handle some of the environmental challenges that the country faces. The World Bank’s Little Green Data Book released in June 2015 even listed the UAE as the world’s most polluted country, even ahead of China, with 8.0 micrograms of pollutants per cubic meter. The country also continues to use groundwater at a rate that is 20 times higher than its ability to replenish it with a study of the UAE University in 2015 warning that supplies of groundwater could run out by 2030. With rapid economic growth remaining predominant, it cannot be said that the UAE is currently on a sustainable path.
The UAE places education at the core of its national policy and engages 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. In the 2017 federal budget, education was allocated the large share at 20.5% amounting to $2.8 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. Since February 2016, two new ministers have been added in the education field. The Supreme Council for Education, the Youth Council and the Council of UAE Scientists have also been established as further supportive mechanisms.

As of 2017, the UAE hosts branches of 40 leading international universities in addition to national institutions such as the Emirates University, the Higher Colleges of Technology, and Zayed 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 (98.4%), the ratio of female-to-male enrolment of 1.0 or higher at the primary and secondary level and 2.3 at the tertiary level, and a gross enrolment ratio (106.7%). Overall expenditures in R&D stood at 0.7% of GDP, according to the World Development Indicators 2016.
Governance

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. In practice, this means that 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. While the top-down decision-making structure tends to inhibit powers of delegation, the government has made a conscious effort to move UAE nationals into more positions of authority and allowing for greater delegation of power. The lack of transparency and accountability in the decision-making processes can also be seen as a structural impediment but this has little impact on practical policy-making. On the external side, 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. At the same time, the UAE has assumed a more activist foreign policy position including being part of the Saudi-led coalition to restore the government of Abd Rabbu Mansour Hadi in Yemen starting in March 2015 and active involvement in the Libyan civil war since 2013. In this context, the UAE has been referred to as the Sparta of the Middle East.

Civil society in the UAE remains weak and underdeveloped 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. Overall, the UAE government has actively moved against any institutions or movements that it sees as infringing on its political authority. 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 (the
local branch of the Muslim Brotherhood), 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.

The UAE did not experience any significant violent incidents based on social, ethnic or religious differences during the review period from 2015 to early 2017. 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, the UAE’s strong stance against extremist Islamic groups, and its participation in the civil war in Yemen does make the UAE a target for potential terrorist activities. To prevent this, the government undertakes extensive and 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, or the withdrawal of citizenship in the case of UAE nationals. 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. Governance Performance

14 | Steering Capability

The UAE has a clear sense in terms of its strategic priorities and prioritizes and organizes its policy measures accordingly. All government agencies engage in regular strategic planning processes which are also subject to review and adjustment as required. This process takes places both at the federal and the individual emirate level. Individual emirates are guided by strategic documents called Abu Dhabi Plan 2030 or Dubai’s Strategy 2015. 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 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. In addition, in 2015 a 550-strong government task force was put together to monitor the progress toward the 2021 goals with members tasked to provide all necessary assistance to government agencies so that they can fulfill their objectives. This was followed in February 2016 with the restructuring of the government. In addition to a new organizational structure and functions of key ministries, including the support of several new Ministers of State to meet the ongoing demands of an evolving economic and social landscape, the new government also appointed eight new ministers,
including five women. New minister posts were created for the issues of Tolerance, the Future, Youth, Happiness and Climate Change.

The laid-out strategies have the full support of the population and are based on a consensus position among all actors of society. This includes an emphasis on innovation and enhancing governmental services. In the forefront, Prime Minister Sheikh Mohammed bin Rashid Al Maktoum stated in February 2015 that, in order to succeed, governments must be engines of innovation. In November 2015, the UAE launched a 2 billion UAE dirham fund to finance innovation project linked to the country’s vision. Yet, while the government’s long-term strategic aims do include the move towards a market economy, the transformation toward a democratic liberal order is subject first and foremost to maintaining the security and stability in the country and keeping the current governmental system in place.

The UAE places a priority on being able to show progress towards its stated goals. On most of the issues outlined in the UAE’s Vision 2021 document, substantial progress has been achieved diversifying its economy (70% of GDP in 2016 was generated from other incomes sources than oil and gas), improving educational and health standards, promoting national identity, integrating innovation into nationals plans (the UAE improved six place in the 2016 Global Innovation Index and ranks first in the Arab world), and becoming an involved and responsible member of the international community. Overall, the government proceeds swiftly to implement outlined objectives. There are other key priorities were progress is more mixed, for example, in terms of providing for a sustainable environment given that broad environmental policies often take a backseat to the objective of achieving fast-pace economic growth. In terms of a fair judiciary, governmental prerogatives continue to outweigh the move towards a completely independent judiciary. While the government is certainly able to implement its decisions effectively, the main objective is to keep the current governmental system in place and not risk potential instability through the introduction of widespread political reforms. The premium is on stability and security of the country. At the same time, there is push towards faster implementation of stated goals with Prime Minister Sheikh Mohammed bin Rashid Al Maktoum announcing in October 2016 the establishment of 36 task forces to ensure all government agencies working along the same goals and with greater efficiency.

The UAE has made innovation one of the core principles of 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. Subsequently, 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. As part of the 2017 federal budget, 2 billion UAE dirhams
(about $600 million) was allocated to the Mohammed bin Rashid Innovation Fund in order to support individuals and organizations with innovative ideas and projects.

All of this has led to the UAE being named first in the Arab World in Innovation Practices and 41st globally in the 2016 Global Innovation Index. In the areas of ease of paying taxes, inbound mobility and cluster development, the country was ranked first overall. During the opening of the Office of the Future in May 2016, UAE’s Prime Minister Sheikh Mohammed bin Rashid Al Maktoum stated: “We implement what we plan, and we pursue actions not theories. The rapidly changing world requires us to accelerate our pace of development, for history does not recognize our plans but our achievements.” In addition, there is a widespread evaluation and monitoring approach being implemented in order to see if objectives are being reached and if adjustments to state policies might be necessary. The UAE also strives for project that might seem unattainable like the Mars Colonization Strategy 2117 announced in January 2017 with 600,000 people.

In addition to innovative practices, the government also engages in regular monitoring and evaluation exercises to see if national goals are being realized. This is done in regular ministerial retreats which each ministry being challenged to show it is meeting laid-out targets and objectives. To achieve its goals, the government engages in widespread international cooperation to obtain external experiences and best practices. This includes the use of foreign consultants although there is a clear emphasis on knowledge transfer and bringing in UAE nationals into position of authority.

15 | Resource Efficiency

To a large degree, the UAE government makes efficient use of its human, financial and organizational resources. 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 cronism. In May 2015, the UAE was ranked among the top 10 countries worldwide in terms of government efficiency and economic performance by the IMD World Competitiveness Center. There is also 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. With the UAE’s abundant financial resources being impacted by the rapid decline of the oil price starting at the end of 2014 and persisting until early 2017, the government has had to also emphasize efficiency out of necessity. The Minister of State for Financial Affairs Obaid bin Humaid al-Tayer stated in January 2017 that: “Government spending … should be efficient management of public spending and policies” in order to “achieve sustainability in public spending, ensuring the desired economic goals and social welfare.” One of the drawbacks in the UAE include the overstaffing of the public sector, given the
continued preference of UAE nationals to seek public-sector employment rather than enter the private sector due to its better pay and shorter hours. There is also the fact that oil revenues are not included in the federal budget calculations, meaning that the overall budget process lacks a minimum degree of transparency and accountability. The appointment of public servants also continues to be made more on the basis of tribal affiliations or personal relations rather than solely on merit-based considerations.

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. This occurs not only during regular cabinet meetings but the government undertakes annual retreats during which overall policy objectives are reviewed and assessments are made about the effectiveness of policy decisions. 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 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. Similar institutions exist at the individual emirate level including an anti-corruption unit established by a decision of the Abu Dhabi Executive Council in May 2015. Article 62 of the UAE Constitution prohibits government ministers from undertaking any other professional or commercial occupation while in office. The UAE’s Penal Code criminalizes both active and passive bribery as well as the abuse of functions and embezzlement. While a specific anti-corruption law was proposed by the UAE President in 2012, the law itself has not been acted upon or ratified as of January 2017. An international team of experts tasked with evaluating the compliance of the UAE with the U.N. Convention stated in May 2016 that by-and-large the country had undertaken sufficient executive, legislative and judicial steps to combat corruptive practices. Some of the remaining shortcomings include the lack of transparency over state budgets and the government’s procurement process, and 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 exists a broad consensus among all major actors in the UAE about the country’s policies and the stated path forward. The population of UAE nationals views the government as being highly legitimate and believes that the current leadership is acting comprehensively and competently in their interest. This consensus has an impact as far as moves towards a democratic-based political system are concerned. While in the past some UAE citizens have asked for the implementation of a variety of political reforms including opening up the political process to broader inclusion, as of January 2017 there is no widespread debate in the country about the need for something along the lines of a liberal democracy. On the one hand, the country’s economic distributive policies have ensured that the majority of the population has benefited from the growth of the country thereby putting political reforms on a backburner. On the other, 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. To some degree, the debate about the political path forward has been securitized resulting in the government taking a heavy-handed approach against any suggestion for more comprehensive political reforms.

As far as moves towards the implementation of a market economy and further economic diversification and liberalization efforts are concerned, there is a strong consensus in the country 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 expatriate blue-collar workers.

Reformers in the UAE have only a very limited ability to influence over the government or to overcome anti-democratic actors when it comes to the issue of political reforms and opening the country for more substantive political participation. To be sure, the government sees itself on a gradual and evolutionary reform course that will eventually also see political measures enacted although for the moment there is clear priority to maintain the stability of the governing system and the state over the need to implement participatory mechanisms. This can be seen by the fact that since the outbreak of the so-called ‘Arab Spring’ in 2011, the government has cracked down hard on anyone advocating or requesting political reforms. For example, all
signatories to a petition issued in 2011 calling for reforms and for more responsive
government have been pressured, forced to withdraw their support for the petition, or
jailed. In addition, the government has put in place a security apparatus that monitors
all types of potential political activity in the country, 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. But while
the outlook for pro-democracy reformers is certainly not positive, the majority of the
population in the UAE is largely content with present conditions
and sees the
government as being largely responsive to the wider needs of the society.

Given its monopoly over power and the use of force, the UAE government is certainly
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 population
numbers of Emirati nationals and expatriates. Of a population of approx. 9.5 million
in early 2017, there are only about 1.2 million UAE nationals (about 12%). The
government has identified this cleavage as a potential security threat, yet no
significant action in terms of a reduction in the expatriate workforce has been
undertaken. More minor dividing lines are 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, or the one between the current rulers and the large generation of young
Emiratis who are seeking 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. More
constructive action has been taken with regard to youth issues. This includes on the
one hand a military service period introduced in 2014 to instill values of citizenship,
community service and loyalty to the country. On the other, the government named
Shamma al-Mazrui as the country’s first Minister of Youth Affairs in February 2016
with the aim “to represent the aspirations and affairs of the youth before the
government.” Overall, the existing cleavages do not at this time have potential for
sparking widespread domestic conflict with the government in control to depolarize
them.

Civil Society in the Western sense of the terms is structurally and organizationally
weak in the UAE. From an institutional perspective, the UAE government does not
enable any significant civil society participation. 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 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 wide sectors of society or through widening participation in municipal councils. In this context, civil society acts in an advisory capacity rather than in the form of pressure groups. The UAE leadership does encourage its citizens to engage with their community and contribute to the economic and social development of the country and has outlined this principle in the UAE Vision 2021 strategy. There has also been a lot of emphasis in recent years on the promotion of a national identity. The government introduced ‘moral education’ as part of the national curriculum in 2016 in order to “promote ethics, personal and community growth, culture and heritage, civic education, and rights and responsibilities” as well as introduced 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. 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. Overall, human and development aid is a central component of the UAE’s foreign policy. Domestically, the government has spent a great deal of resources on reforming its education system and increasing the skills of its national population. Still, a gap between the currently available local expertise and the required know-how for continued economic growth and development continues to exist. To overcome this discrepancy, the country does make extensive use of external technical expertise in the form of foreign government assistance, for example, the German Agency for International Cooperation (GIZ), or foreign consultants. In 2015, it was announced that the government was considering issuing visa for skilled professionals without requiring sponsorship.
The UAE is considered a credible and reliable partner, both at the regional and international level. During the 2015 to 2017 period, the UAE deepened its international relationship as well as its commitments on the international level. The UAE is not only a member to numerous international organizations but is also an active contributor to the goals and objectives of those organizations. For example, in 2016 the current UAE ambassador to the UN served as the co-facilitator to the implementation of the Word Summit of the Information Society, served as Co-Chair of the Friends of the Future of the UN, and was elected to the UN Women’s Executive Board for 2017. The UAE also ratified the UN Climate Accord in 2016. Other active participations include supporting the further integration process in the GCC states, reforming the League of Arab States, promoting the work of OPEC, the Organization of Islamic Cooperation and the World Trade Organization. The UAE hosts the International Renewable Energy Agency (IRENA) and numerous field offices of the United Nations. Outside of international organizations, the UAE maintain largely good relations with a variety of countries worldwide and is seen in return as a valuable and reliable ally. In addition to its neighborhood, the UAE has also reached out to Latin America and Pacific Island countries in an effort to enlarge the basis for its engagement. The UAE has contributed and earned positive remarks for its military engagement as part of the international assistance forces in Kosovo and Afghanistan and has also shown its readiness to get involved in regional conflicts such as in Libya and Yemen.

However, various incidents also lowered the governments overall credibility. Wide press coverage received cases of Western tourists who were arrested and held in prison for alleged pre-marital sex. Accusations are also widespread that government subsidies for flag carriers Emirates and Etihad are disturbing global competition in the air transport sector. Finally, the overall treatment of blue collar guest workers is a constant shade over the government’s international credibility rates.

The UAE is strongly supportive of positive regional and international relationships and makes consistent efforts to develop its foreign relations. The starting point is the relations with the member states of the Gulf Cooperation Council, in particular with Saudi Arabia. In 2015, the two countries established a high-level coordination committee with the aim to advance relations at all level. The committee is chaired by the Crown Prince of Abu Dhabi and the Deputy Crown Prince of Saudi Arabia. Relations are also good with the other members of Bahrain, Kuwait, Oman and Qatar although occasionally differences of opinion will appear. None of these issues however threaten the cohesion within the GCC. Beyond the GCC, more conflictual relations exist with Iran where a territorial dispute over three islands in the Gulf remains unresolved. The UAE strongly opposes what it sees as Iranian interventionist activities throughout the Middle East, primarily in Iraq, Bahrain, Syria and Yemen. The UAE is a partner with Saudi Arabia in the military effort in Yemen to re-establish the legitimate government of President Hadi. The UAE also strongly supports the government of President al-Sisi in Egypt with the two sides aligned in the campaign
against the Muslim Brotherhood. Outside of the Middle East, the UAE focuses its ties primarily on the United States, although Europe, Russia and Asia have gained more attention in the year 2015 and 2016. In January 2017, Abu Dhabi Crown Prince Sheikh Mohammed bin Zayid Al Nahyan was the honorary guest at India’s Republican day celebration. To broaden its base of international relations, the UAE has reached out to far-away places like Latin America and the Pacific Region with many of those countries opening diplomatic representations in the UAE. Finally, the UAE is an active member and contributor to international organizations like the GCC, the Arab League and the United Nations. At the UN, the UAE has put forward numerous initiatives on issues such as women’s empowerment, humanitarian assistance, sustainable development, and internet governance.
Strategic Outlook

The UAE has a clear idea of where it wants to go. The country’s vision 2021 document outlines specific targets and objectives including the move towards a knowledge-based economy, a cohesive and stable society, a first-rate education system, a fair and independent judiciary, and an overall development process based on sustainability. This strategy is complemented by a leadership dedicated to making progress and delivering on results. The establishment in 2015 of a 550-strong task force divided into 36 core areas to support government agencies to reach their vision goals is a testament to that commitment. In this sense, the UAE has made significant strides in recent years that has made elevated the country to model status as far as the Arab world and even beyond is concerned.

The period since 2015 has, however, also underlined that the UAE will continue to be faced with a myriad of challenges that demand continued development and policy innovation. The decline in oil prices and the widespread consensus among specialists that the international oil market will not see a return to the high price era of 2002 to 2014 at any time soon, means that more emphasis for the UAE economy will have to be placed on efficiency, sustainability and the consolidation of diversification efforts rather than simple growth strategies supported by government spending. This means shifting the emphasis to the private sector as the primary engine for growth and institutionalizing decision-making to the degree where the country can continue to attract investment and take advantage of the forces of globalization. The implementation of a just and equitable rule of law is another necessity on which further progress in the UAE is needed.

In order to be able to keep on its current path, the UAE must also empower more of the younger UAE generation to take on roles of responsibility within their own society. In the UAE as well as in the other GCC states, a transition is occurring to a new social contract away from the trade-off of political rights for economic well-being of the past. The debate now is one of “active citizenship” in which individuals can genuinely contribute to the development of their society through their integration in the political system as a whole. This means actively promoting the development of civil society, expanding the participatory access within the existing political system, and allowing for more individuals from outside the ruling family to move into key government positions.

To be sure, the UAE has already initiated a series of steps into that direction including fostering greater dialogue with key sectors of the population, naming a Minister for Youth Affairs, focusing on sustainability and climate change in terms of its energy policies and providing resources for innovation and entrepreneurship.

Overall, it need to be mentioned that this is not necessarily a debate about moving the UAE towards a democratic, liberal order as most UAE nationals would agree that the Western form of democracy is not an applicable form of rule for their country. Rather, it is about finding the right
balance between stability and security on the one hand and performance, accountability and transparency on the other hand.

That this is a difficult balance to strike have been highlighted by the increased securitization of the current political debate inside the UAE. For the country’s leadership, the stability of the country must be protected at all costs. This, in turn, has led to a consistent restriction on political dissent since 2011 given that the government sees itself as the primary determinant of what reform should be initiated and implemented. Whether this is the right path is debatable although it should also be recognized that it is one of the UAE’s objectives to develop a quantifiable “democratic continuum” where change is measured in terms of constitutional development, women’s rights, anti-corruption measures, education reforms, and the like and not simply elections and the extension of political rights. In this context, development and change are likely to be a mixed bag of tradition and modernity and one that is compatible with local identity and specificity.

The UAE will also be challenged by the regional turmoil which has engulfed numerous Middle Eastern states and which has led to increased violence, civil wars, rising sectarianism and the breakdown of regional order. Despite its own success, the UAE cannot shield itself off from some of these consequences and as such, its diplomatic capacity will need to be broadened to promote efforts at regional mediation and peace-making. The UAE has already strengthened its military and security capability, but this by itself is not sufficient given the forces that are currently tearing the Middle East apart. The announcement in 2016 to send at least 15% of its annual budget on humanitarian causes is a step in the right direction that will hopefully be followed up with further initiatives.

The combination of high oil income, an increasingly diversified economic base that is able to complement the oil-based economy and competent and far-sighted management has transformed the UAE into a modern state that is stable, secure and attractive. To maintain this path, a continued commitment to reform within a well-developed strategy is needed in order to maintain the strong consensus among UAE nationals that the country is on the right path and that the leadership is making the right choices.