

## Index of Economic Freedom

As a citizen of Dubai for the last 10 years I see U.A.E. aspires to be not just a model for regional development, but "one of the best countries in the world." The U.A.E. has emerged as the regional center of innovation as a result of its open business environment, fast-paced development, and assertive global ambitions. Simply, the U.A.E. wants to "become one of the best governments in providing quality services, nurturing creative minds, building national talent, innovating solutions and adopting international best practices to be a benchmark that other countries adopt.

To achieve the goals of the Vision 2021, the U.A.E. has accelerated and expanded its efforts to obtain international assistance at all levels, including the rule of law. While the U.A.E. "follows the civil law system, inspired by the Roman and French legal systems and the Egyptian civil codes of law," there are many links to British common law, particularly in Dubai, and with respect to commercial and financial laws.

Dubai has embraced the need to develop and encourage principles of good corporate governance in the Middle East which can only help to attract foreign direct investment. Dubai's serious attitude to developing corporate transparency and principles of good corporate governance and anti-money laundering is a beacon for the Middle East region and is a significant attraction to the international investment and financial community.

Dubai has developed a robust and dynamic legal and regulatory framework over a relatively short period of time to give international businesses and investors significant comfort when deciding to invest or conduct business in Dubai. The framework also encourages local Dubai businesses to flourish in a well regulated environment. In this rapidly changing world a dynamic attitude to law and regulation is required. This has been a key factor in Dubai's continued success and development.

Since its foundation, the U.A.E. has relied on international business norms, to shape its laws and policies. One innovative example of nation-building through the use of technological best practices is at the heart of the U.A.E.'s efforts to make the government accessible to U.A.E. residents and nationals.

Foreign investors are free to invest in the UAE and profits can be repatriated, together with the proceeds of sale and capital on liquidation. With some exceptions, a foreign entity will be required to establish an entity in the UAE if they wish to carry on business. Investors generally have two options: establishment in mainland UAE or establishment in one of the many economic free zones.

There is a general restriction on UAE companies being 100% owned by foreigners but there are ways around this: the new FDI law allows up to 100% ownership in certain sectors; the economic free zones allow 100% ownership, or the shareholders may use side agreements. Foreigners can own residential and commercial property in certain designated areas, including free zones.

There have been some landmark developments in Dubai in terms of law and regulation, most notably, in the creation of the many free zones in Dubai which have, to varying degrees, different laws and regulations to non-free zone areas. Conditions for doing business in free zones are highly attractive with 100 percent. foreign ownership of companies allowed (compared to 49 per cent. for most companies incorporated outside the free

zones), tax concessions, no restrictions on the repatriation of capital and profits and freedom from currency restrictions and import duties. Free zones have been fundamental in developing Dubai's reputation as an attractive place to establish a business.

The DIFC is a world class "onshore" financial centre and was established with the aim of bridging the gap between the world's major financial centres. It was established to be a recognized hub for institutional finance and to be a regional gateway for capital and investment.

In addition to the possibility of setting up in one of Dubai's numerous free zones, international businesses wishing to do business in Dubai may incorporate or register a local entity under the Companies Law or the Civil Code, register a branch or representative office of a foreign company or enter into a commercial agency relationship with a UAE national. Each of these business structures (other than setting up in a free zone) requires varying degrees of participation from UAE nationals – for example, 51 per cent of the share capital of a company incorporated under the Companies Law must be held by UAE nationals, and branch and representative offices must appoint a UAE national to sponsor the office for its licence application and for various other matters. Further, each of these structures has limitations on the scope of permitted activities which can impact the potential investors.

Business licensing is particularly important in the UAE and Dubai. Any person wishing to do business in Dubai (other than through a licensed agent) requires a licence and the licence impacts on the scope of the activities that the licensee may carry on. As with most other jurisdictions, certain sectors of the UAE and Dubai economy are subject to more stringent licensing requirements than others. As an example, international businesses wishing to carry on banking or most other financial services in Dubai and outside the DIFC require a licence from the UAE Central Bank and the granting of such licences is strictly regulated. In addition, a limited number of activities, such as real estate brokerage, are restricted to UAE nationals.

Dubai Future Accelerators (DFA) program initiated in 2016 facilitates the dynamic collaboration between startups, private entities and government to work on prespecified challenges relevant to the future. The Government Accelerators emphasizes the integration between federal and local Government entities, the private sector, academic institutions, and NGOs with the purpose of driving innovation and ultimately achieving the UAE's Government ambitious plans. DFA combines startups' innovation and agility with the scale of forward-thinking public and private sector organisations. DFA positions Dubai as an attractive destination for startups and entrepreneurs, and as a citywide testbed for innovative technology.

UAE is basically known to be tax-free country, and this was true to a great extent, until the introduction of Value added tax. VAT was introduced in UAE on 1st January 2018 at a standard rate of 5 percent. Unlike many other countries, UAE individuals are exempted from paying income tax which makes the country extremely attractive.

The UAE is keen to maintain accountable and transparent institutions at all levels. For this purpose, it created the UAE government performance management system which monitors the government performance for all federal government entities, and develops a clear framework for performance to achieve UAE Vision 2021 and National Agenda. The UAE government pays attention to monitoring the sustainable development of performance and that the services provided by the entities can fulfil the peoples' needs.

The constant focus of the country for progress and innovation of best practices in Emirati society at every level of business and government gives me the confidence that the overall economic freedom score of 76.9 is well deserved by a nation that is centered on excellence.

On today's speech 30th of Oct 2021 held by his highness Sheikh Mohammed at the grand opening of the most waited EXPO 2020:

*"The UAE is your country, a bridge to peace and tolerance for all people. It is an opportunity for everyone to connect at the largest human gathering of expertise, ideas, cultures and achievements. This is our chance to explore our similarities. During the event, we will have the opportunity to realise that diversity is an advantage that will encourage human interactions and promote the values of giving and cooperation, as well as confirm the fact that human solidarity will overcome all challenges. This is our chance to establish an international cooperation system that will benefit everyone, and this gathering is an ideal platform for highlighting the importance of human solidarity and cooperation. This is the unprecedented experience that our world needs: Connecting Minds, Creating the Future."*

## United Arab Emirates

◀ Previous: #13 Mauritius

Next: #15 Lithuania ▶

OVERALL SCORE **76.9**

WORLD RANK **14**

### RULE OF LAW

Property Rights	80.8 <span>▲</span>
Judicial Effectiveness	81.1 <span>▼</span>
Government Integrity	66.0 <span>▲</span>

### GOVERNMENT SIZE

Tax Burden	100.0 <span>▲</span>
Government Spending	73.0 <span>▲</span>
Fiscal Health	98.5 <span>▲</span>

### REGULATORY EFFICIENCY

Business Freedom	80.0 <span>▲</span>
Labor Freedom	81.6 <span>▲</span>
Monetary Freedom	80.6 <span>▲</span>

### OPEN MARKETS

Trade Freedom	81.4 <span>▲</span>
Investment Freedom	40.0 <span>—</span>
Financial Freedom	60.0 <span>—</span>

[United Arab Emirates Economy: Population, GDP, Inflation, Business, Trade, FDI, Corruption \(heritage.org\)](https://www.heritage.org/economy/entry/united-arab-emirates-economy-population-gdp-inflation-business-trade-fdi-corruption)