

Competitiveness reports and policymaking in the UAE

The role of international comparison reports (e.g. WEF Global Competitiveness Report) in driving government policy

A presentation to the London Business School EMBA macroeconomics class

Dubai, UAE

02 Jun 2015

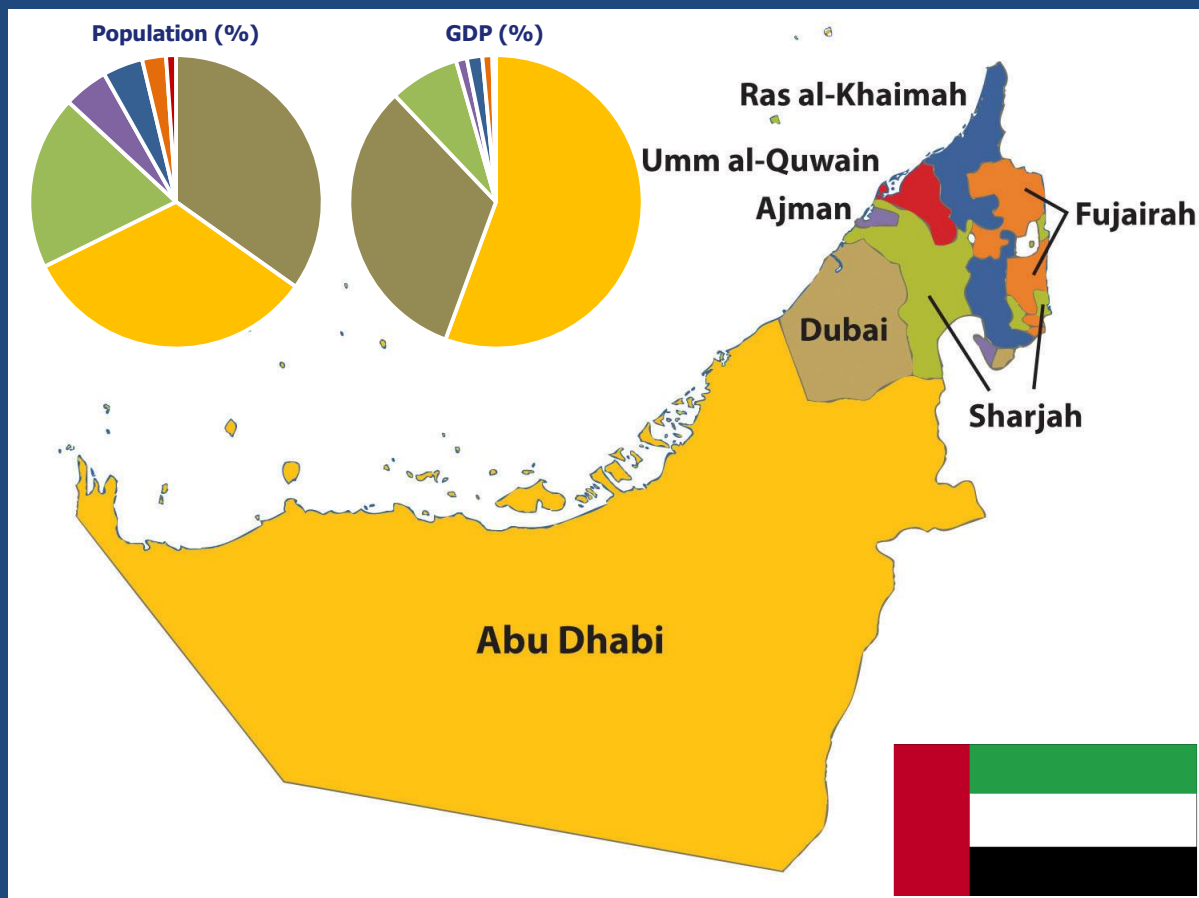
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The United Arab Emirates (UAE)

Overview of the country



- **Name:** United Arab Emirates (UAE)
- **Gvt type:** Federation of 7 emirates
- **Population:** 9.3 million
- **GDP:** \$416 billion
- **Per capita GDP:** \$44,771
- **Capital:** Abu Dhabi
- **Largest city:** Dubai (3.2m)
- **Life expectancy:** 76.8
- **Land area:** 83,600 km²
- **Founding date:** 02 Dec 1971
- **Legal system:** Mixed system of Islamic and civil laws
- **Expat population:** 88%
- **Literacy rate:** 95%
- **Oil share of GDP:** 32%

- **Exports:** \$367 billion (ex RE: \$161): Japan (15.4%), India (13.4%), Iran (10.7%), Thailand (5.5%), Singapore (5.5%)
- **Imports:** \$250 billion (ex RI: \$174): India (17.0%), China (13.7%), USA (10.5%), Germany (5.1%), Japan (4.2%)

Data retrieved on 01 June 2015

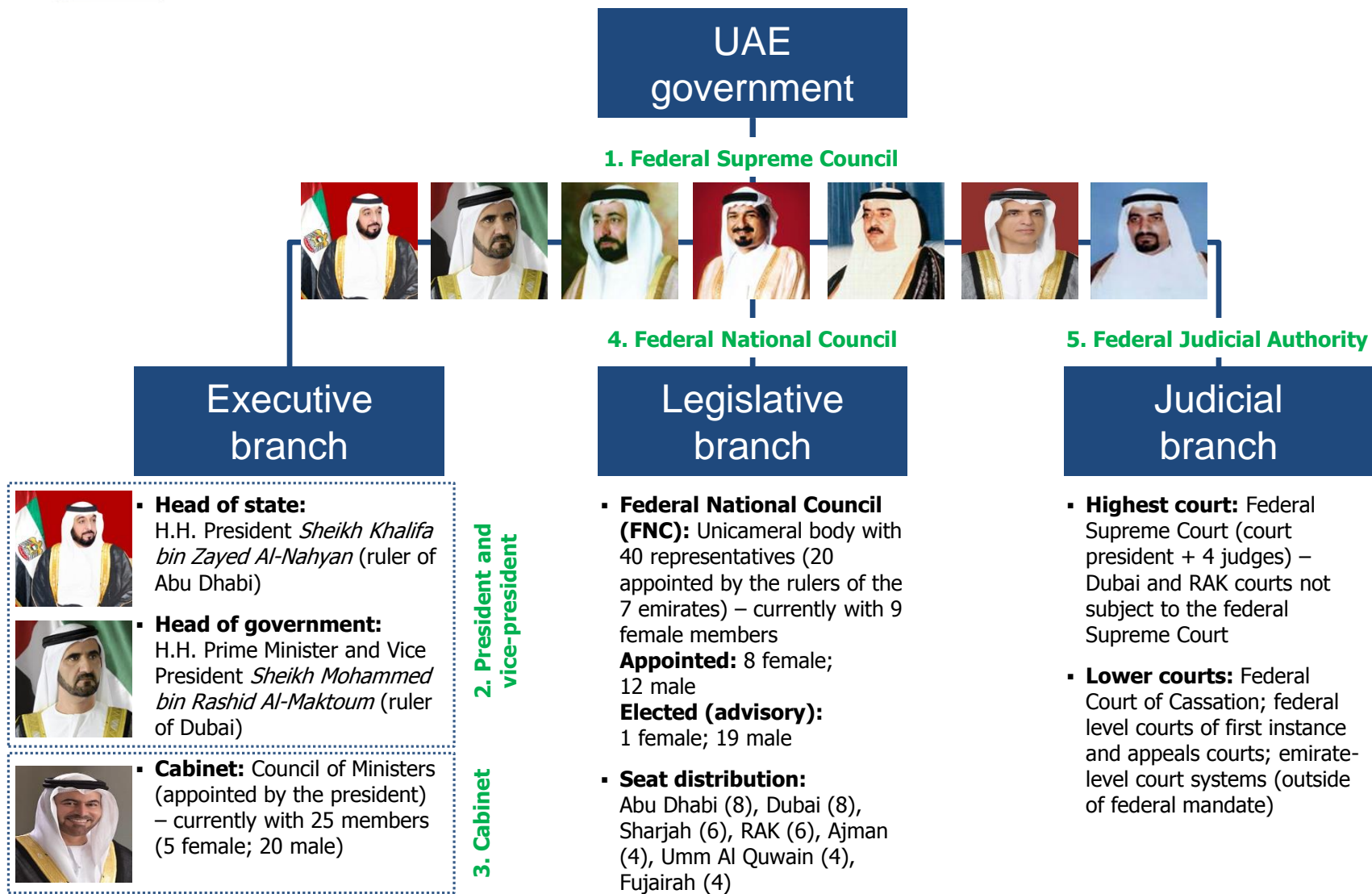
Sources: CIA Factbook, IMF WEO, National Bureau of Statistics (NBS), Observatory of Economic Complexity (MIT), UN, WB Database, WHO

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The structure of the UAE federation

Power resides with the rulers of the seven emirates





The Cabinet and the Prime Minister's Office

The executive branch of the government

- The Cabinet is the executive branch of the government and presided by the Prime Minister (H.E. Sheikh Mohammed bin Rashid Al Maktoum*)
 - Manages internal and foreign affairs of the federation
 - Ministers are appointed by the president
 - Ministries cover the areas of: Defence; Interior; Presidential Affairs; Finance; Foreign Affairs; Higher Education & Scientific Research; Public Works; Foreign Trade; Cabinet Affairs; Energy; Economy; Social Affairs; Education; Culture, Youth & Community Development; Health; Labour; Justice; Environment & Water; and other sundry portfolios
- The Prime Minister's Office (PMO) is an instrument for promoting excellence in the government and aligning government projects with national strategic development goals
 - Supports the Prime Minister, Cabinet and the Minister of Cabinet Affairs in their decision making
 - Improves the efficiency and effectiveness of government through policies and initiatives



Full title: H.E. Sheikh Mohammed bin Rashid Al Maktoum, Prime Minister and Vice President of the UAE and ruler of Dubai



Vision 2021 and the National Agenda

Strategic policy goals of the nation for its golden jubilee



- **United in Responsibility:** Cohesive society and preserved identity
- **United in Destiny:** Safe and fair judiciary
- **United in Knowledge:** Competitive knowledge economy
- **United in Prosperity:**
 - First-rate education system
 - World-class healthcare
 - Sustainable environment and infrastructure

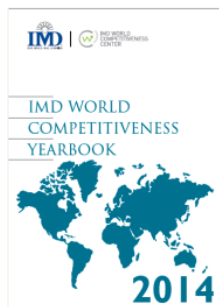


INDICATOR (SELECT LIST)	REPORT(S)	2021 TAREGT
Happiness Index	EI-WHR	Top 5
Human Development Index	UN-HDR	Top 10
GNI per capita	UN-HDR	Top 10
Net inflow of FDI (% of GDP)	Various	5%
Global Competitiveness Index	WEF-GCR	Top 10
Ease of Doing Business Index	WB-DBR	Number 1
Global Entrepreneurship Index	GEDI-GEI	Top 10
Global Innovation Index	INSEAD-GII	Top 10
R&D as percent of GDP	Various	1.5 percent
Share of treated water	Yale-EPI	75 percent
Clean energy contribution	INSEAD-GII	24 percent
Network Readiness index	WEF-GITR	Top 20
Quality of air transport infrastructure	Various WEF	Number 1
Logistics Performance Index	WB-DBR	Top 10
Quality of overall infrastructure	Various WEF	Number 1
Quality of port infrastructure	Various WEF	Number 1
Online Services Index	UN-eGovt	Number 1
Average PISA score	INDEAD-GII	Top 20
Physician density	WIMD-WCY	2.9 per 1,000
Nurse density	IMD-WCY	6.0 per 1,000
Average health life expectancy	Various	73 years
Reliability of police services	Various WEF	Number 1
Road traffic deaths	WEF-TTR	3 per 100,000
Judicial system efficiency (enforcing contracts)	WB-DBR	Top 10



International comparison reports

International reports provide third-party validation and benchmarks



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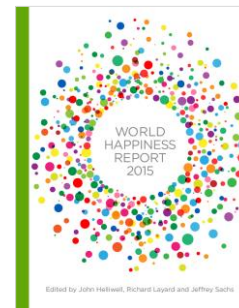
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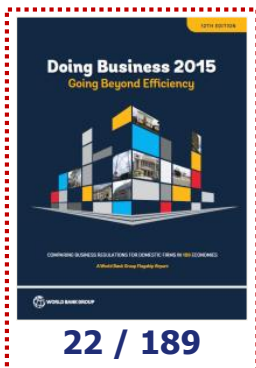
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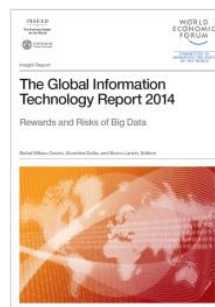
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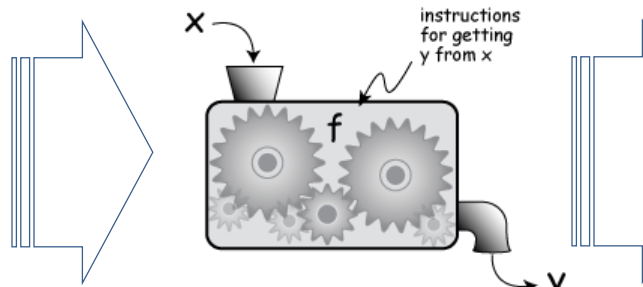
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The WEF Global Competitiveness Report (GCR)

An examination of how indicators feed into the GCR index

Individual using internet, %
Inflation, annual % change
Malaria cases/100,000 pop.
Total tax rate, % profits
Property rights
GDP (PPP\$ bn)



Insight Report

The Global Competitiveness Report 2014–2015

Klaus Schwab, World Economic Forum



The Global Competitiveness Index in detail

INDICATOR	VALUE	RANKING
1st pillar: Institutions		
1.01 Property rights	5.5	23
1.02 Intellectual property protection	5.5	19
1.03 Ownership of public lands	6.0	7
1.04 Public trust in politicians	6.0	9
1.05 Regular payments and taxes	6.4	4
1.06 Judicial independence	5.6	22
1.07 Expenditure in execution of government officials	5.3	9
1.08 Transparency of government spending	6.0	2
1.09 Number of government regulations	5.2	9
1.10 Efficiency of legal framework in settling disputes	5.2	17
1.11 Efficiency of legal framework in challenging rules	4.7	10
1.12 Transparency of government policymaking	6.4	10
1.13 Business costs of contracts and violence	6.6	2
1.14 Business costs of crime and violence	6.6	2
1.15 Organized crime	6.6	1
1.16 Reliability of police services	6.2	7
1.17 Ethical behavior of firms	5.8	11
1.18 Strength of auditing and reporting standards	6.6	26
1.19 Efficacy of corporate boards	5.5	15
1.20 Protection of minority shareholders' interests	6.3	16
1.21 Strength of investor protection, 0–10 (best)	6.0	80
2nd pillar: Infrastructure		
2.01 Quality of overall infrastructure	6.4	9
2.02 Quality of roads	6.6	1
2.03 Quality of railway infrastructure	N/A	N/A
2.04 Quality of port infrastructure	6.5	9
2.05 Quality of air transport infrastructure	6.7	9
2.06 Available airtime used worldwide, million*	4,799.4	6
2.07 Quality of electricity supply	6.4	11
2.08 Mobile telephone subscriptions/100 pop.*	171.9	6
2.09 Fixed telephone lines/100 pop.	23.3	30
3rd pillar: Macroeconomic environment		
3.01 Government budget balance, % GDP*	10.1	5
3.02 Gross national savings, % GDP*	30.9	11
3.03 Inflation, annual % change	1.1	1
3.04 General government debt, % GDP*	123.3	9
3.05 Country credit rating, 0–100 (best)	73.3	30
4th pillar: Health and primary education		
4.01 Maternal cases/100,000 pop.*	N/A	N/A
4.02 Business impact of malaria	N/A	N/A
4.03 Tuberculosis cases/100,000 pop.*	1.7	2
4.04 Business impact of tuberculosis	6.2	40
4.05 HIV prevalence, % adult pop.*	<0.2	1
4.06 Business impact of tuberculosis	6.3	30
4.07 Infant mortality, deaths/1,000 live births*	7.2	44
4.08 Life expectancy at birth	77.0	41
4.09 Quality of primary education	5.4	13
4.10 Primary education enrollment, net %	91.3	36
5th pillar: Higher education and training		
5.01 Secondary education enrollment, gross %*	82.3	64
5.02 Tertiary education enrollment, gross %*	94.9	24
5.03 Quality of the education system	5.3	9
5.04 Quality of math and science education	5.3	11
5.05 Quality of management schools	5.3	16
5.06 Managerial access in schools	6.0	18
5.07 Availability of research and training services	5.4	17
5.08 System of staff training	5.1	11
6th pillar: Goods market efficiency		
6.01 Removal of local competition	6.0	9
6.02 Ease of market entrance	5.2	19
6.03 Effectiveness of anti-monopoly policy	5.3	4
6.04 Effect of taxation on incentives to invest	6.3	2
6.05 Total tax rate, % profit*	14.9	7

Note: Values are on a 1–7 scale unless otherwise annotated with an asterisk (*) For further details and explanation, please refer to the section "How to Read the CountryEconomy Profiles" on page 101.

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United Arab Emirates

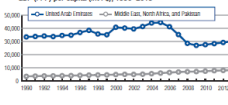
5.1: CountryEconomy Profiles

United Arab Emirates

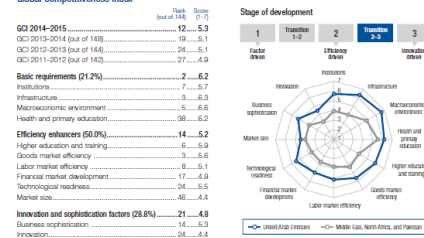
Key Indicators, 2013

Population (millions)	9.0
GDP (US\$ billion)	395.2
GDP per capita (US\$)	43,925
GDP PPP as share (%) of world total	0.31

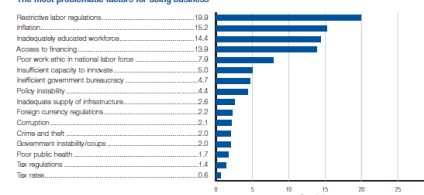
GDP (PPP) per capita (int'l \$), 1990–2013



Global Competitiveness Index



The most problematic factors for doing business



Note: From the list of factors above, respondents were asked to select the five most problematic for doing business in their country and to rank them between 1 (most problematic) and 5. The bars in the figure show the responses weighted according to their rankings.

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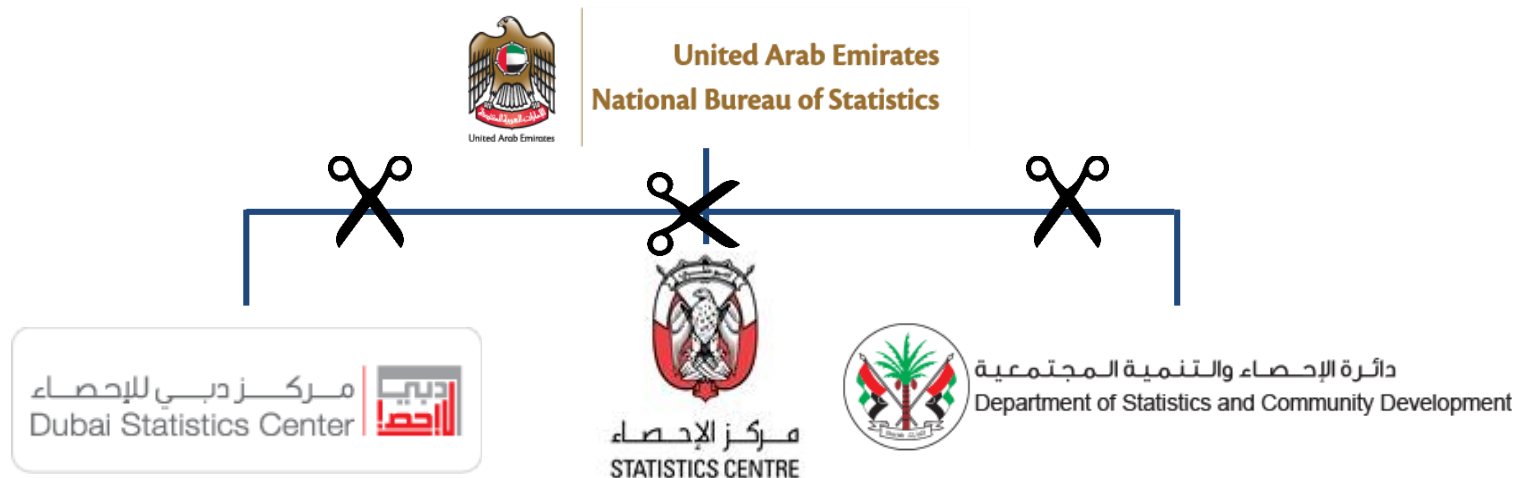
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Data and the UAE's statistical offices

The role of the NBS and other statistical offices in policy

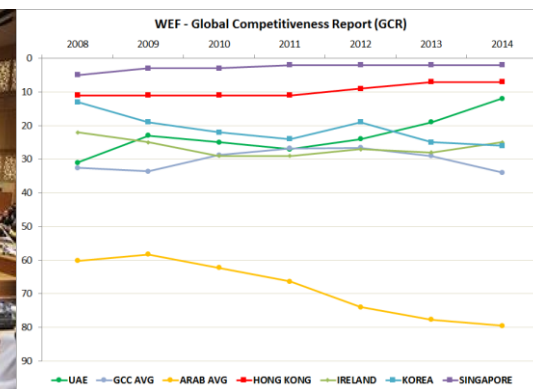
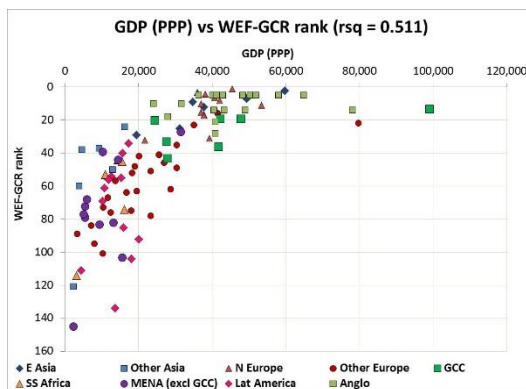
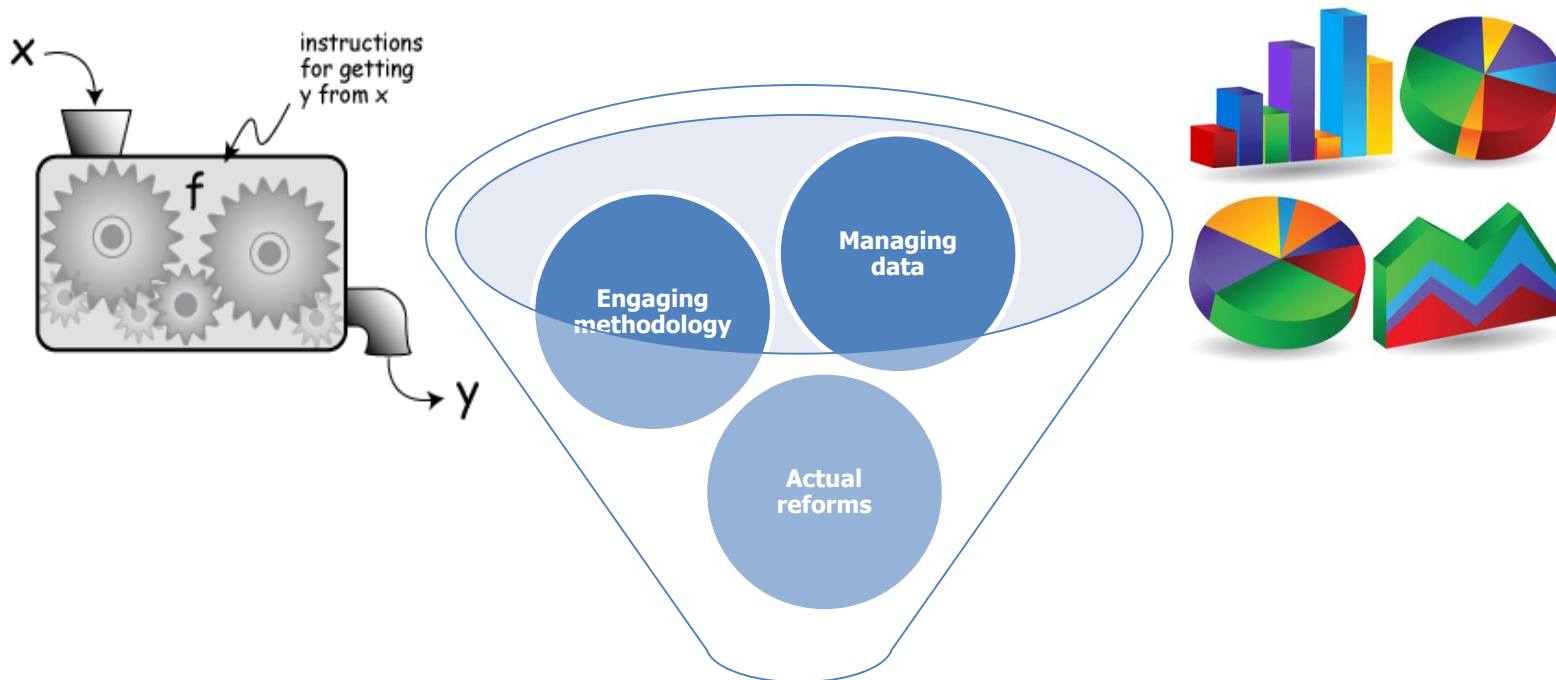
- International reports rely on internationally comparable data
- The UAE has a complex and underdeveloped statistical infrastructure
 - NSO: National Bureau of Statistics (NBS)
 - RSO: Statistics Centre of Abu Dhabi (SCAD)
 - RSO: Dubai Statistics Centre (DSC)
 - RSO: Department of Statistics and Community Development Sharjah (DSCD)
 - Sundry disconnected statistical generators (e.g. ministries, free zones, etc.)
- Moreover, data provided by the NSO and RSOs are often incomplete, outdated, wrong or not in internationally comparable format
 - Lack of data culture and human capital in quantitative disciplines has resulted in data being a fundamental challenge for the country





Managing the reports

Reports are a way to get entities to align with national strategic goals





The carrot and *whip* of international reports

Reports are a way to get entities to align with national strategic goals



Economy	Ease of Doing Business Rank ▲	Starting a Business	Dealing with Construction Permits	Getting Electricity	Registering Property	Getting Credit	Protecting Minority Investors	Paying Taxes	Trading Across Borders	Enforcing Contracts	Resolving Insolvency
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Portugal	29	10	38	47	29	89	91	94	29	27	10
Thailand	26	75	6	12	28	89	25	62	36	25	45
Netherlands	27	21	100	90	58	71	94	23	13	19	12
Mauritius	28	29	117	41	98	36	28	13	17	44	43



Questions and answers

Pursuing targets in international comparison reports is a key driver of policy

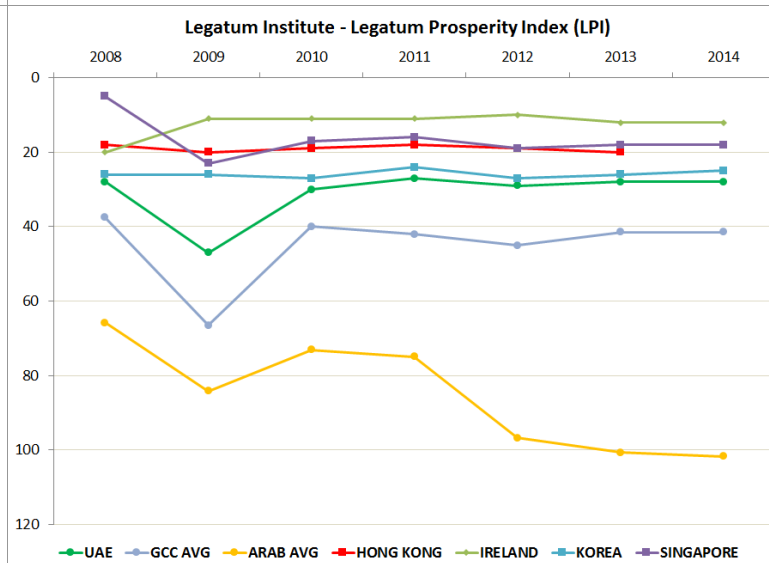
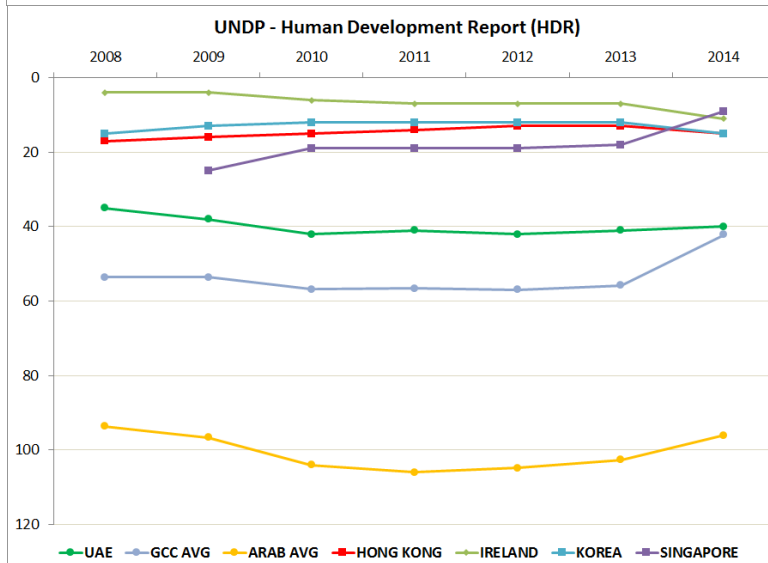
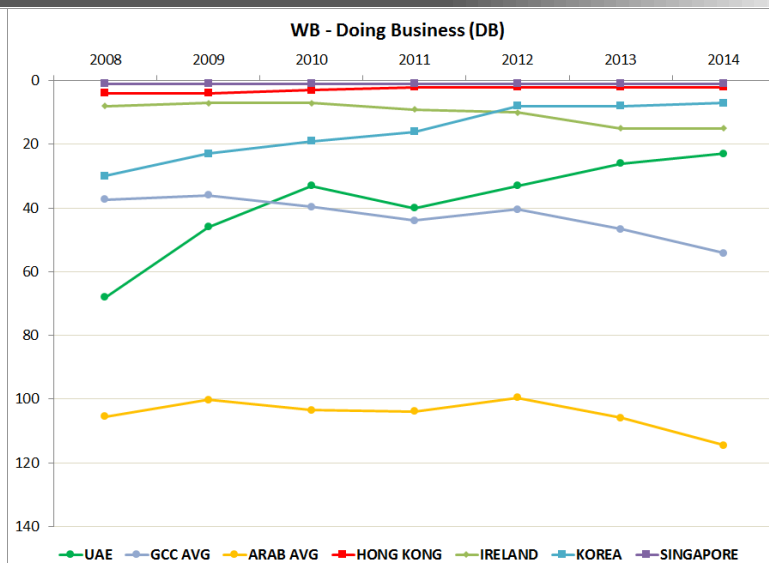
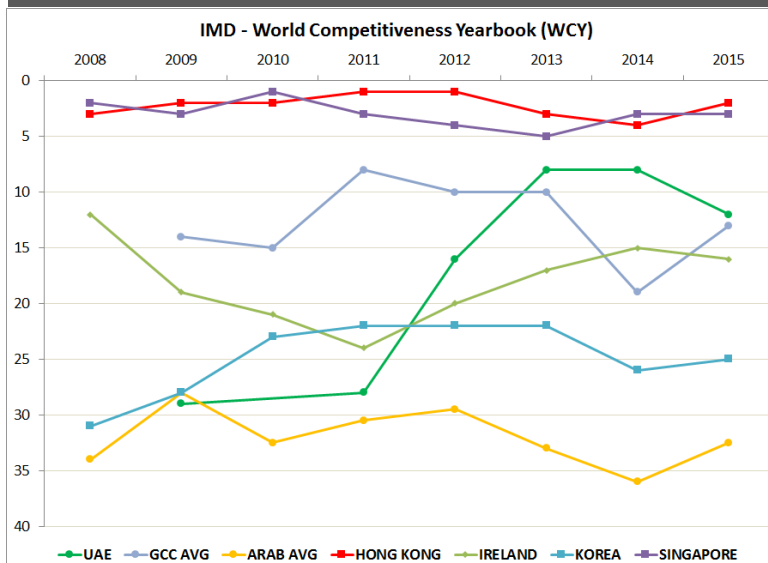
- The ruler of Dubai is affectionately referred to as “Sheikh Mo” by those living in the UAE – an extremely popular leader
- The carrot for those working towards achieving the UAE’s strategic goals is a picture with *the* Sheikh
- Policymaking in the UAE is highly unconventional
 - No sane advisor in the 1980s would have ever approved the idea of making Dubai an aviation hub anchored by a world-class domestic airline...





Appendix 1

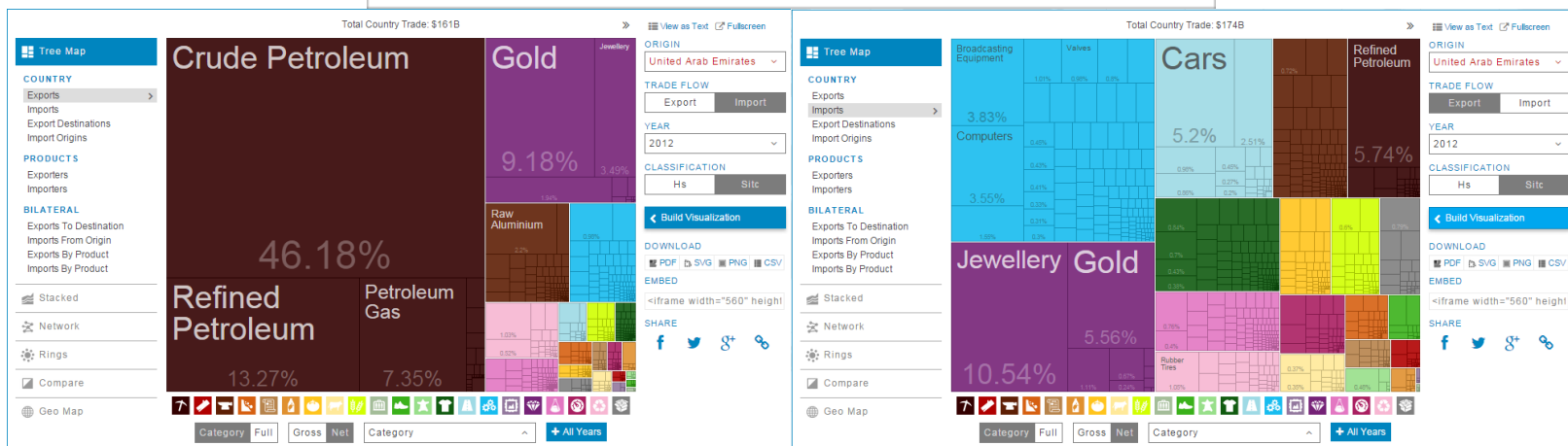
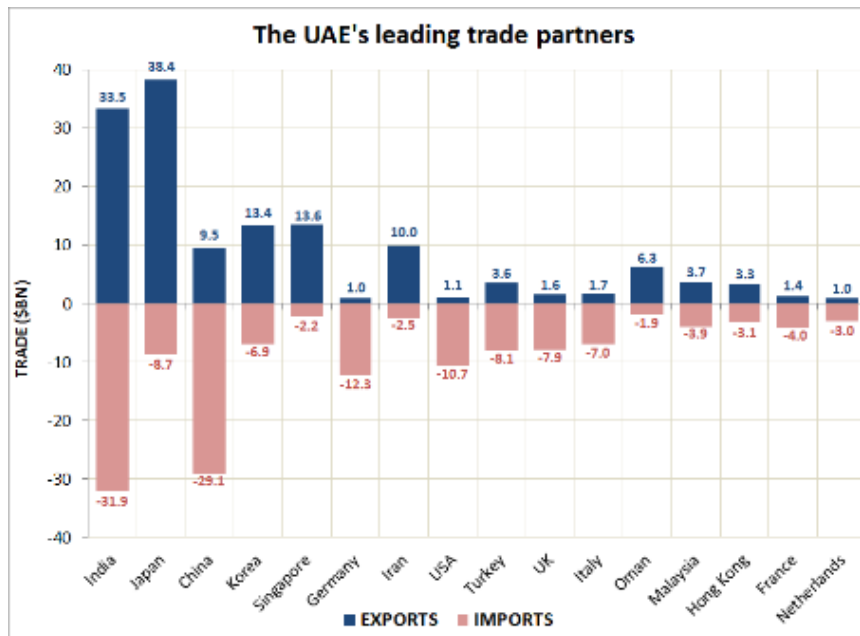
UAE performance over time in other competitiveness reports





Appendix 2

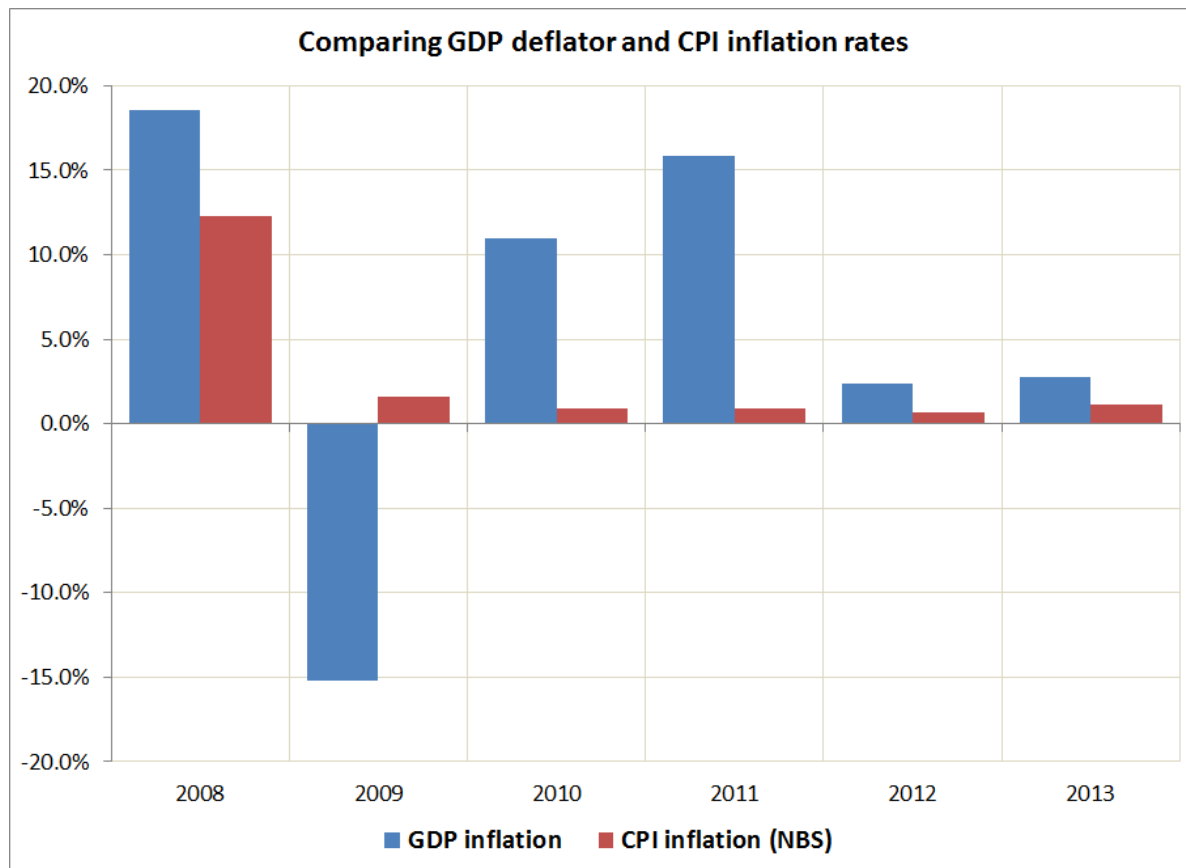
UAE trade patterns and composition





Appendix 3

UAE socio-economic data are often not robustly estimated



YEAR	INFLATON (DEFLATOR)	INFLATION (CPI)
2008	18.5	12.3
2009	-15.2	1.6
2010	11.0	0.9
2011	15.8	0.9
2012	2.4	0.7
2013	2.7	1.1
2014		

YEAR	GDP DEFLATOR	CPI
2007	100.000	100.000
2008	118.553	112.250
2009	100.537	114.001
2010	111.599	115.003
2011	129.242	116.012
2012	132.300	116.782
2013	135.902	118.068

- Even vital and simple data such as inflation is not reported with precision
- The cumulative inflation reported by the NBS (CPI) from 2007 to 2013 is 18.1% while over the same period the GDP deflator inflation is 35.9%
 - Planning/discounting projects with time horizons is uncertain