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UAE's Path to Economic Recovery

Dubai - The President, His Highness Shaikh Khalifa bin Zayed Al Nahyan, couldn't have chosen a more appropriate time to clear the air and address questions about the country's economic future. "By asserting that the nation is fully prepared to deal with the adverse effects of the global financial crisis, Shaikh Khalifa has sent a strong and much-needed message of hope and confidence to the people in the UAE and the world at large," wrote Khaleej Times in its daily editorial. "Of late, there has been a deluge of gloomy reports and predictions about the national economy and how the crucial financial and construction sectors in the country, especially in Dubai, have slowed down and face an uncertain future. "Most of these reports have been exaggerated and alarmist in nature. The UAE economy may have slowed down, just as the world economy has, as a result of the global meltdown. This is only natural and understandable. After all, we are part of the world economy and an important one at that," the paper said. "However, the fundamentals of the UAE's economy are healthy and very robust. This is why the national economy is not only stable enough to deal with the current crisis, but it is likely to emerge even more robust and tenacious when it puts this temporary setback behind it. "President Khalifa therefore is right in his confidence in the nation's financial and economic institutions and their ability to respond effectively to the unprecedented crisis that confronts us all. "In his interview with Arabic business daily, Al Roya, the President also put to rest the recent rumours and speculation about the Abu Dhabi government acquiring firms and companies owned by the Dubai government. Emphasising that relations between the member emirates are completely transparent, the President has called for maintaining transparency in dealing with the current economic situation as well. "The nation will recover and deal effectively with the challenges ahead only by sticking to the path its founding leaders chose for it. That is, honesty, hard work and unity of purpose. It's this vision that built the UAE, turning it into one of the most peaceful, prosperous and forward-looking nations and the world's favourite investment destination. It will remain so by remaining loyal to the vision of its architects,"the Khaleej Times concluded.

The latest forecast by The Economist Intelligence Unit (EIU) shows a gross domestic product (GDP) contraction of 1.4 per cent for the year, but 2010 is expected to see a leap to 4.2 per cent. Last year's growth was estimated at seven per cent.

The International Monetary Fund (IMF) earlier said that 2009 growth would be three per cent, while Standard Chartered expects it to be at a very conservative 0.5 per cent. The overexposure of the UAE to the world economy hit home when property values in Dubai began to fall, as several were made redundant and some projects were scrapped. Additionally, oil prices have plunged from \$147 to about \$50. Almost Dh70 billion has been injected by the federal government into the banking sector to loosen credit in the market, and boost economic confidence.

From the World Bank desk , the global economy is set to shrink by one to two per cent this year, Robert Zoellick, the World Bank president has said. "We in the Bank will be coming up with ours again soon, probably in the range of one to two per cent ... We haven't seen a figure like that globally since World War Two, which really means since the Great Depression," he said. The World Bank chief has raised concerns over existing efforts to tackle the crisis, warning of the risk of doing "too little, too late". He said that fiscal stimulus without addressing the roots of the credit crunch will be a mere "sugar high" with no lasting impact on the economy.

Zoellick proposed that the Group of 20 major and emerging economies - whose leaders are due to meet in London next month - establish a review process to see whether further stimulus measures would be needed to kickstart recovery. "Out of the G20 process one should have a monitoring system," he told the conference, suggesting a system of reviews on the impact of existing stimulus packages agreed by governments. "Some of the packages actually withdraw stimulus in 2010. So given the uncertainty of this crisis I think you want to have a review process to see whether more would be needed in 2010." Zoellick warned of a fall-off in world trade as countries retrenched into their domestic economies, and cited World Bank forecasts that up to 400,000 children would be affected this year as an indirect effect of the economic crisis. "There are issues that go beyond the economics to political and social stability," he said. "If kids don't get proper nutrition in their early years, you lose a generation." Zoellick cited some progress in persuading rich countries to help developing states struggling to cope with a slowdown that hit revenues from from commodities exports and remittances from expatriate workers, but acknowledged there was resistance. "It's hard at a time like this. Everyone is feeling stretched."

Trade outlook – USA and UAE

The U.S. Ambassador to the U.A.E. told delegates to a reception held in Dubai that the U.A.E. has surpassed Israel and Saudi Arabia as America's biggest export market in the MENA region. He added that Dubai would lead the region out of the economic slump.

Richard Olson told delegates at the reception hosted by the American Business Council of Dubai and the Northern Emirates that U.S. exports to the U.A.E. in 2000 amounted to U.S.\$2.2billion, but had soared to over U.S.\$15.7 billion in 2008. "Defence, machinery, autos and even horses make up a large part of this trade, but this does not fully account for services such as legal and consulting." Olson added: "Times are significantly challenging, but G.C.C. countries are best positioned to recover from the credit crunch and the U.A.E. will be at the forefront leading that recovery." The Ambassador, who became America's chief diplomat to the U.A.E. in October last year, has enjoyed an illustrious career representing U.S. interests in countries around the world. Olson most recently served as Deputy Chief of Mission at the United States Mission to the North Atlantic Treaty Organization (NATO) from 2006-2008. He has also served at senior diplomatic levels in the U.A.E both at the US Embassy in Abu Dhabi (from 1999 to 2001) and as US Consul General in Dubai (from 2001 to 2003). Bill Ryan, Director of the American Business Council, said Olson is one of those unique individuals whose illustrious career is very much a reflection of the history and dynamism of the U.S. and the U.A.E.

Industry Outlook – Banking

Loans at UAE banks exceeded customer deposits by 110 billion dirhams (\$29.95bn) and the government was looking for a way to bridge the gap. The finance ministry of the country said last year it would invest 70bn dirhams into long-term deposits at banks struggling to cope with tight global credit conditions. The sector has been hit by a real estate downturn in Dubai, where residential property prices have fallen on average by 25 per cent since peaking last year cites Morgan Stanley.

The UAE's economic stimulus package - which Ministry said accounted for 6.9pc of the oil exporter's gross domestic product - also includes a 50bn dirham central bank funding facility for banks. Dubai's government has sold \$10bn in bonds to the UAE central bank to help state-linked companies meet their financial commitments. Inflation in the UAE is set to fall to between five to 8pc this year, the economy ministry predicts.

Many home buyers in the region purchase properties through a bank loan. Instead of forking over a huge amount of cash up front, they seek banks' help so they only set aside a little bit of money every month until they fully pay the value of the property say 20 or 25 years later. Unfortunately, for those who are short of cash, money doesn't flow easily from banks anymore. So, people who intend to purchase an apartment now have to put up a 20 to 40 per cent down payment. Back in the days when liquidity was not an issue, buyers needed to raise only 10 per cent or just five per cent of the property's value. Some lenders claim they have resumed lending and they are no longer tough on mortgage requirements since the much-needed funding has been injected into the banking sector, but property agents and borrowers are not seeing any relief. The mortgage market also became difficult when Amlak and Tamweel, the country's largest lenders, stopped lending. In an effort to revive lending to property buyers and developers, the government is reportedly set to merge Industrial Bank with Real Estate Bank, creating a new development bank with Dh10 billion capital. Since Real Estate Bank had earlier been combined with Amlak Finance and Tamweel, the proposed mega bank will merge three financial institutions and hopefully extend necessary aid to the real estate market.

Industry Outlook – Shipbuilding

CONTAINERSHIP owners are finally managing to squeeze a few concessions out of shipyards, with Seaspan and Danaos confirming they have postponed delivery of some vessels. Others such as Maersk and Zim have publicly acknowledged they are in discussions to push back completion dates. In truth, just about every owner or operator with containerships on order has been in Asia recently pleading with the yards to revise production schedules. But any delays shipbuilders reluctantly agree to will only be for a few months. That may bring some relief to individual businesses, but will not solve the underlying issue. Those lines that refused to be caught up in the ordering madness of two years ago may be feeling a little smug, but this mammoth oversupply affects the whole industry, and some players will not survive. Few may have foreseen the depth of the global economic collapse, but a child could have worked out that capacity expansion of 50% within four years was a recipe for disaster. That growth figure still stands, even if the time span is stretched to five years. These delivery delays are just tinkering around the edges of a crisis that is not going to go away.

Industry Outlook – Tonnage market (RORO)

CAR carriers are the ugly sisters of the high seas. Even their owners would admit that, with their high freeboard, they are not beautiful. But they are very functional, designed for a specific purpose — to transport automobiles and trucks. When Japanese motor manufacturers decided to go global some 30 years ago, they needed a different type of ship to transport vehicles in large volumes. Until relatively recently, this was a fairly simple business, with two main trade lanes, from Japan to the US, and Japan to Europe. Since then it has become far more complicated. Like other sectors, it has had its ups and downs. But this time last year there was a shortage of capacity as traditional markets were complemented by new ones opening up in booming economies such as Russia and eastern Europe. Now, however, operators are desperately trying to shed capacity. They have been hit in particular by a collapse in Japanese exports and unsold inventories. Scrapping, slow steaming and lay-up are all happening.

But can these ships be used for anything else? Transporting cattle has not proved a success, as the animals need a huge amount of fresh water. And it does not take much imagination to guess the other drawbacks. One line is considering converting vessels into student accommodation . But with their massive car decks, can these great caverns be put to other uses? A theme park, maybe, or venue for rock concerts? In these desperate times, there really is a need for some blue-sky thinking.

CAR manufacturer Toyota has so much unsold stock that it has had to charter a ship for storage. Wallenius Wilhelmsen Logistics landed a six-month contract last month for its vessel Morning Glory, which is being used as a temporary garage for 2,500 Toyota models in Malmo as the manufacturer struggles to find parking space

Port Outlook – Middle East

Fujairah building new port to export Abu Dhabi crude:

The new port is a part of an integrated plan to develop and expand Fujairah Port. The world's largest oil tankers will be able to load up crude exports from Abu Dhabi at a new port in Fujairah. Work on constructing the facility – called the Industrial Port – is under way. When complete the terminal will be able to handle up to 70 per cent of Abu Dhabi's total crude exports. The location near Fujairah Port means the oil will not have to pass through the strategically sensitive Strait of Hormuz. Supplies will be

delivered to the port through a pipeline and stored in giant reservoirs on the docks. Huge tankers moored offshore will then be loaded through a system of pipes. The project would be developed jointly by Fujairah Port and the Government of Abu Dhabi.

DP World maintains 2008 tariffs at Jebel Ali, free 10 days storage:

DP World will revert to 10 days free storage time for all local importers with effect from March 1. Global marine terminal operator DP World's UAE Region announced yesterday it will maintain 2008 tariff rates this year at its flagship Jebel Ali Port. It will also revert to providing 10 days free storage time for all local importers with effect from March 1.

DP World had earlier planned to increase container handling fees at Jebel Ali Port and had reduced free storage time in the terminal to relieve congestion over the summer months. Mohammed Al Muallem, Senior Vice-President and Managing Director, DP World's UAE Region, said:"We have listened to our customers, who are being impacted by the global economic slowdown, and have made the decision to maintain rates at 2008 levels and extend storage times. This will give them a measure of relief as they plan for the year." However, traders who spoke to Emirates Business at the beginning of this year anticipated a reduction in port handling and storage tariffs at Jebel Ali Port given the drop in operational costs. Commenting on the impact of these revisions, Dirk Van Den Bosch, Chief Commercial Officer, DP World's UAE Region, said:"This will effectively provide traders a 100 per cent saving on storage for a container that typically would have remained in the terminal for a period of 10 days. Further, maintaining our existing rates will ensure cost stability for Dubai's traders." These initiatives underscore DP World's consistent trade friendly approach at Jebel Ali and affirms Dubai's role as a leading commercial hub, said the company. Officials at the port have recently said that it will continue to witness relatively strong growth in cargo throughput this year, despite a crunch in volumes at major ports across the globe.

The Middle East's largest port saw an 11 per cent increase in throughput last year, but with its new facilities able to handle all new generation mega-size container vessels, volumes are expected to grow further this year. The port is hoping to boost its handling capacity with the opening of the final phase of the Jebel Ali Container Terminal 2 at the end of this month. The terminal will add a capacity of five million TEUs to the existing nine million TEUs and will help to ease previous problems related to congestion. The \$1.5 billion (Dh5.5bn) Jebel Ali Terminal 2 project is also expected to support future trade within the GCC as 90 per cent of cargo in the region is moved through sea.

Dubai Maritime City (DMC):

At US\$1 billion and counting, the Dubai Maritime City is ahead of schedule and attracting the attention of the maritime world. If you're building anything in Dubai the unofficial rule of thumb is that if you want your project to stand out from the crowd you need to make it either the world's first, biggest or tallest - nothing else, it seems, will do. As the world's first purpose-built maritime centre, Dubai Maritime City (DMC) is no exception and when work is completed in 2012 DMC will add weight to Dubai's claim of being the major maritime hub of the Middle East.

The sheer scale of DMC is breathtaking. The man-made peninsula between Port Rashid and Dubai Dry Docks measures 2.27 million square metres - the equivalent of over 110 football fields - and will eventually be either the home or workplace of around 130,000 people. The DMC project has so far cost US\$1 billion and will provide the base for a multitude of maritime businesses and services, including shipping companies, law firms, ship brokers and insurers. It will also be the proud new home of the Jadaf Dubai dockyard, plus a state-of-the-art academic quarter.

Like a lot of the best projects, DMC had its roots in more humble beginnings than the development currently under construction. The initial plan was to relocate Jadaf Dubai, the ship repair and industrial marine yard, onto a small piece of reclaimed land at the mouth of Dubai Creek. Jadaf Dubai was initially reluctant to push ahead with this as it would have needed to finance the relocation itself. The Dubai government was also unwilling to offer funding as it wanted any prospective new project to be self-financing and sustainable. It wasn't until His Highness Sheikh Mohammed bin Rashid al Maktoum, the

UAE prime minister, vice president and ruler of Dubai, proposed that more reclaimed land be sourced and a commercial area be added that the project then became financially viable. John Ewing is DMC's chief commercial officer and has been with the project since August 2003. Ewing agrees that the numbers did not add up until the commercial area was added. "It's definitely a unique configuration," he says. "The commercial area was a just solution to help finance the industrial project." The construction work is going well and DMC is due to open not only ahead of schedule but also on budget. The project has also been lauded for its commitment to environmental sustainability.

Lighter Facts column

Never just throw away a banana skin after eating...why..

want a quick shine on your shoes??

Take the INSIDE of the banana skin, and rub directly on the shoe...

polish with dry cloth.

Warts:

Those keen on natural alternatives swear that if you want to kill off a wart, take a piece of banana skin and place it on the wart, with the yellow side out. Carefully hold the skin in place with a plaster or surgical tape!

Previous issue Brain teaser: Answer; 5=1 as 1=5

This issue , what is on!

Below are (5) pairs of words. Fill in the blank below with a single letter to turn these pairs of words into synonyms.

EX: _TUMBLE and _RIP

Answer: STUMBLE and TRIP

1) _COLD and _HIDE

2) _AMBLE and _AGER

3) _EARNING and _RAVING

4) _ALLY and _CORE

5) _AVER and _ALTER

See you next month same week

...cheers

...Prabhu Williams

Any feedback or comment , pls reply to dxbgenl@owl.ae