

NATIONAL DAY OF UNITED ARAB EMIRATES



UAE marks National Day

ON 2nd December, the United Arab Emirates marks the thirty-third anniversary of its emergence onto the world stage, after a year that has seen remarkable progress, despite the need for adjustment after the death in November last year of its founding President, Sheikh Zayed bin Sultan Al Nahyan.

The UAE, a federation of seven emirates, Abu Dhabi, Dubai, Sharjah, Ra's al-Khaimah, Fujairah, Umm al-Qaiwain and Ajman, lies in the south-eastern corner of the Arabian peninsula. With an area of around 83,400 square kilometres, and with a population of a little over 5 million, the country is led today by President His Highness Sheikh Khalifa bin Zayed Al Nahyan, who succeeded his father, Sheikh Zayed, as Ruler of Abu Dhabi, and was then elected by his fellow Rulers as the UAE's second President on 3rd November 2004.

Over the course of the last year, the UAE has achieved much in terms of its economic and social development, this process being enhanced by reforms of government institutions designed to improve transparency and efficiency while it has also continued to play an increasingly active role in international affairs.

Its economic progress has been fuelled by the marked rise in world oil and gas prices. With the fourth largest proven oil reserves in the world, and the fourth largest proven gas reserves too, the UAE produces around 2.5 million barrels of oil a day, most of which is exported. Oil and gas revenues have risen sharply. This year, they are expected to reach US\$ 40 billion, up from US\$ 30 billion in 2004, with a further rise to US\$ 42.7 billion being predicted by the US Energy Information Agency for next year. At the same time though, the UAE has long pursued a policy of diversifying its economy away from dependence on oil and gas, and the hydrocarbons sector now accounts for less than a third of Gross Domestic Product.

Other sectors of importance are heavy industry (including petrochemicals and aluminium) and the financial and services. The inauguration during the year of the Dubai International Finance Centre, DIFC, is expected to provide a major boost to the country's finance industry. "Trade is also important -- the country's major ports, such as those in Dubai, Sharjah and Fujairah, are significant not just for imports and exports, but also for transshipment, evidence of the way in which

the UAE has capitalised on its strategic location between East and West to emerge as a major commercial hub. That process has been enhanced by growth at its six international airports, including those of Dubai and Abu Dhabi, the latter now commencing a multi-billion dollar expansion plan. In November 2005, plans were announced for another international airport, at Jebel Ali, south-west of Dubai, which, when completed, will be the largest airport in the world. Among the key beneficiaries of this investment in the transport infrastructure will be the country's three award-winning airlines, Emirates, based in Dubai, and the newer Etihad, based in Abu Dhabi, and Air Arabia, based in Sharjah.

All three airlines, as well as other carriers serving the UAE, have already benefited from continuing growth in the tourism sector, which is already contributing around 20 percent of Dubai's economy, with over ten million visitors a year arriving from around the globe. Other emirates, too, are benefiting from the emergence of the UAE as one of the world's most popular holiday destinations, with hotels reporting record levels of occupancy. The tourism boom is also being complemented by growth in the exhibitions and conferences market, this, in turn, prompting the building of more hotels and conference centres.

Perhaps the most visible sign of growth, however, is the remarkable boom in property development, which began several years ago in Dubai, but which is now spreading to the other emirates. Superlatives have become almost commonplace, with Dubai currently constructing the tallest building in the world (Burj Dubai, or Dubai Tower), the largest reclamation projects and the world (the offshore Palm Islands) as well as many other projects. Around twenty percent of all of the world's tower cranes are now said to be working in Dubai.

Other projects include a whole series of new residential and commercial property developments in Abu Dhabi, being undertaken by recently-established local companies. These, and others, have been made possible by a re-structuring of commercial and land-owning legislation, and have been warmly welcomed by local investors, leading to a significant inflow of capital as residents now find attractive opportunities for investment at home.



Sheikh Khalifa Bin Zayed Al Nahyan
President of the United Arab Emirates

There is also, though, a need to attract more Foreign Direct Investment, FDI, and this, too, is being encouraged, although preliminary figures for 2005 already suggested that the increasing attractiveness of the UAE is already being recognised. Besides the beneficial impact of local reforms, investment is also being stimulated by the negotiation of Free Trade Agreements, with such deals having been reached, or being under discussion, with the United States, the European Union and Australia, and with others being planned.

At the same time, in accordance with the UAE's dedicated participation in the global campaign to tackle terrorism, strict laws against money-laundering have been implemented, and are proving successful in enhancing the UAE's status as a well-governed and well-regulated economy.

Externally, the UAE has maintained its support for the anti-terrorism campaign and has stressed frequently its fundamental belief that those who engage in terrorist acts, whether in the Arab and Muslim world or elsewhere, have no claim to be pursuing religious ideals. On the contrary, the UAE has made it clear that Islam is a religion of tolerance and of humanity.

This policy has been clearly, and repeatedly, expressed in international and regional forums.

During the year, the UAE has continued to work closely with its friends and allies in the international arena, seeking to promote peace, justice and development. A key focus of this activity has, of course, been within the framework of the six-member Gulf Cooperation Council, which brings together the UAE and its neighbours in the Arabian Gulf. Founded in 1981, at a summit conference in Abu Dhabi, the GCC is due to hold its annual meeting once again in Abu Dhabi later this month.

Within the region, and further afield, the country has continued to display its support for those in need, as a result of conflict or of natural disasters.

In Iraq and Afghanistan, both the UAE Government and humanitarian organisations like the UAE Red Crescent Authority have been active in the reconstruction programmes that are required as a result of recent conflict, while support has continued to be given to the Palestinian Authority as it seeks to build a new economy. One major step taken during the year was the donation by President Sheikh Khalifa of US \$ 100 million for the building of new homes in Gaza for Palestinians whose homes have been destroyed as a result of the Israeli occupation. The new Khalifa city is being built on the land of former illegal settlements that were evacuated as a result of the Israeli withdrawal from Gaza.

Natural disasters have attached attention too. At the very end of 2005 and the beginning of 2006, the UAE participated actively in efforts to provide relief to those affected by the disastrous tsunami in the Indian Ocean -- and to support the less dramatic, but equally necessary task, of rebuilding those communities that lost everything as a result.

This was followed in October and November 2005 by a similar effort to provide relief to those affected by the major earthquake that hit the Kashmir districts of

UAE becomes second largest Arab economy

WHEN the UAE was founded nearly 34 years ago, its economy was negligible and its non-oil sector was just taking shape as it was heavily reliant on oil sales. The country is now the second economic power in the Arab world after Saudi Arabia.

Four years after the federation, the country's economy ranked 11th in the Arab region and in 1990 it leaped to the fifth rank. In 2000, the UAE had the third largest economy after Saudi Arabia and Egypt and in 2004, it was second only to Saudi Arabia.

This year, the UAE's gross domestic product is expected to swell by another 10 per cent to a record level in nominal terms and this will enable the country to maintain its status as the second economic power in the region.

Such achievement were a result of several factors, including a surge in oil prices and the country's crude and gas production, a steady growth in the non-oil sector, mainly services and manufacturing, and a massive government economic diversification drive that was spearheaded by its late leader Sheikh Zayed bin Sultan Al Nahyan and is now led by President His Highness Sheikh Khalifa bin Zayed Al Nahyan.

The UAE's economic achievements have won acclaim from many global institutions, mainly the International Monetary Fund, which is urging the emirates to push ahead with reforms to minimize the impact of oil on the economy and further widen the non-oil sector in the GDP. While it believes the UAE has made substantial progress in its diversification drive as some non-oil sectors have become large contributors to the

GDP, the IMF notes that oil still provides most of the income and this should prompt the country to focus more on export-oriented sectors.

In 2004, the UAE's GDP hit a record Dh328.7 billion, a staggering nominal increase of nearly 19.7 per cent over the 2003 GDP of Dh274.8 billion. Real GDP growth was put at around 10 per cent and officials project similar real growth in 2005.

The surge in the country's income has resulted in a steady increase in investment, which grew to a record Dh81.2 billion in 2004 from Dh73.1 billion in 2003 and Dh62.4 billion in 2002, according to the Central Bank.

Exports also peaked at Dh303 billion last year while the balance of payment recorded one of its highest surpluses of around Dh12.8 billion in 2004 compared with Dh4.7 billion in 2003. Higher oil income also had a strong positive impact on the budget, with the consolidated financial account (covering the federal budget and spending by each emirate) recording a minimal deficit of around Dh855 million, one of its lowest levels in the UAE's history. This compares with a staggering shortfall of Dh29.3 billion in 2002 and a record deficit of Dh29.5 billion in 1999.

But experts believe such deficits are only nominal since they are financed through return from the country's overseas assets rather than borrowing.

This year could be even better. According to the Energy Information Agency (EIA) of the US Department of Energy, the UAE is poised to net its highest ever oil revenues of nearly \$40 billion compared with around \$30 billion

in 2004. In 2006, the income could even be better as oil prices are projected to remain high, with the EIA projecting the country's revenues at a record \$42.7 billion.

When the UAE's economy made a big leap and its income hit a record 2004, officials and experts described it as just an exceptional year caused mainly by an exceptional surge in crude prices.

Now they are talking about even a better year in 2005 and probably 2006. Income this year will swell by nearly \$10 billion over the 2004 revenues, the economy will massively be in surplus, growing again by nearly 10 per cent in real terms, and the fiscal balance is projected to climb to its highest ever level.

UAE officials themselves expect better years in 2005 and 2006 while the International Monetary Fund, known for its pragmatism and conservatism, is even more optimistic, depicting a rosy picture for many more years to come.

Another institution is slightly more pragmatic but remains optimistic. The Economist Intelligence Unit (EIU), one of the most credible and authentic private economic evaluators, saw a record economic and fiscal year for the UAE in 2005 but expected a slight retreat in 2006 albeit one of the best financial years.

EIU released its projections around mid 2005 and it is expected to issue revised estimates later this year or early 2006 as its outlook for oil prices through 2005 has far lagged behind actual average prices of nearly \$50 a barrel.

That was the case with EIA, which was prompted by a surge in crude prices to sharply revise up its outlook for the oil export revenues of the UAE and other producers.

Warmest felicitation to the Government and brotherly people of UAE on the occasion of UAE National Day

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