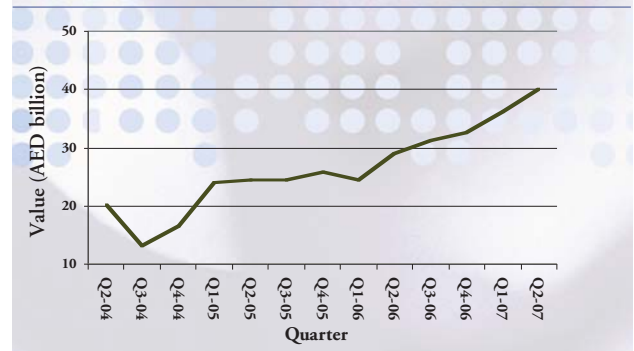


## Total exports of DCCI members posts a year-on-year increase of 40% in Q2-2007

Exports of DCCI members sustained the growth momentum that began after the first quarter of 2006; with 6,682 DCCI members exporting a record high of AED 40 billion in the second quarter of 2007, up by 40% over the AED 29 billion exports recorded in the same quarter of 2006 (Fig. 1). The value maintained the 10% quarter-on-quarter growth recorded in the previous quarter.

**Fig. 1. Exports of DCCI members by quarter, 2004 - 2007**



Source: DCCI Certificate of Origin Database

(Continue to Page 3)

### Trade Monitor



▶ pg 1

### Market Monitor



▶ pg 4

### Sector Monitor



▶ pg 5

### Current Issue



▶ pg 6

### GCC and Iran are the major export destinations

The GCC remained to be the largest market of DCCI members, with 46.2% of total exports valued at AED 18.3 bn destined to the region, and an additional AED 2.7 bn or 7%, within the UAE (Table 1). However, Iran was still the largest single market, being the destination of exports valued at AED 8.5 bn or 21.5% of the total exports during the quarter.

Saudi Arabia and Qatar were the largest markets in the GCC, with total exports to these two countries reaching AED 7.5 bn and AED 6.8 bn, respectively, representing respective quarter growths of 10.2% and 11.8%. Export to Kuwait reached AED 2.1 bn, for a growth of 8.9%. However, the 4.5% decline of exports to Oman and the sluggish growth of 2.4% of exports to Bahrain pulled down the growth of total exports to GCC to only 9.1%. Exports to Oman during the quarter reached AED 1.4 bn, while to Bahrain, only AED 0.6 bn. Exports to UAE also posted a below average growth of 6.9%; and to Iran, only 5.3%.

On the other hand, exports to India posted a double-digit quarter growth of 18.5% to reach AED 1.1 bn during the quarter. Meanwhile, exports to Yemen amounted to AED 1.0 bn, representing quarter growth of 9.0%. Among the other major destinations, double-digit quarter growths were recorded for Egypt at 34.2% for a total value of AED 0.9 bn; Jordan, 29.4% for a value of AED 0.7 bn; and Iraq, 17.4% for a value of AED 0.4 bn. In contrast, declines were noted in exports to Libya to AED 0.9 bn, or by 8.8%; and to Sudan, to AED 0.4 bn, or by 27.1%.

**Table 1: Value of export of DCCI members to major destinations, Q1 & Q2 - 2007**

Description	Q1-2007		Q2-2007		Growth %
	Value (AED bn)	Share to Total %	Value (AED bn)	Share to Total %	
<b>GCC</b>	<b>16.8</b>	<b>46.5</b>	<b>18.3</b>	<b>46.2</b>	<b>9.1</b>
<i>Saudi Arabia</i>	<i>6.8</i>	<i>18.8</i>	<i>7.5</i>	<i>18.8</i>	<i>10.2</i>
<i>Qatar</i>	<i>6.1</i>	<i>16.8</i>	<i>6.8</i>	<i>17.1</i>	<i>11.8</i>
<i>Kuwait</i>	<i>1.9</i>	<i>5.3</i>	<i>2.1</i>	<i>5.2</i>	<i>8.9</i>
<i>Oman</i>	<i>1.5</i>	<i>4.1</i>	<i>1.4</i>	<i>3.6</i>	<i>-4.5</i>
<i>Bahrain</i>	<i>0.6</i>	<i>1.5</i>	<i>0.6</i>	<i>1.4</i>	<i>2.4</i>
Iran	8.1	22.5	8.5	21.5	5.3
India	0.9	2.6	1.1	2.8	18.5
Yemen	0.9	2.5	1.0	2.5	9.0
Libya	1.0	2.9	0.9	2.4	-8.8
Egypt	0.6	1.8	0.9	2.1	34.2
Jordan	0.5	1.4	0.7	1.7	29.4
Iraq	0.4	1.0	0.4	1.1	17.4
Sudan	0.6	1.6	0.4	1.1	-27.4
Total (Major destinations)	29.9	82.7	32.3	81.4	8.0
UAE*	2.5	7.0	2.7	6.8	6.9
<b>Total (All destination)</b>	<b>36.2</b>	<b>100.0</b>	<b>39.7</b>	<b>100.0</b>	<b>9.8</b>

Source: DCCI Certificate of Origin Database

\* - Includes Dubai's exports to the freezones and duty free shops in the UAE and exports of Dubai's freezones to UAE domestic market.

Total exports to other destinations grew from AED 3.7 bn in the first quarter to AED 4.7 bn in the second quarter, for an impressive quarter growth of 26.5%.

### Exports of the manufacturing sector stronger

Value of exports by economic activity of the exporter, presented in Table 2, shows a 26.8% quarter growth in the exports of DCCI members in the manufacturing sector. From an export value of AED 2.4 bn in the first quarter, the value grew to AED 3.1 bn in the second quarter of the year, leading to a percentage increase in the share of the sector to total exports to 7.7% (Table 2). All the subsectors posted double digit growths, with exports of members in food manufacturing and in metal industry increasing both reaching AED 0.8 bn, for respective quarter growths of 16.8% and 12.4%. Exports of members in the other manufacturing subsectors grew to AED 1.5 bn, representing a quarter growth of 43.6%.

Exporters in the trading sector continued to dominate the field, with their combined exports reaching AED 33.6 bn, or 84.5% of the total exports during the quarter. In terms of quarter growth, however, the value represented a growth of only 6.5%. This relatively slower growth was mainly due to the 20% decline in the exports of members in the textiles and garments trading, from AED 0.9 bn in the first quarter to AED 0.72bn in the second quarter. In addition, exports of members in the motor vehicle trading and in general trade posted low increases of 1.2% and 0.6%, respectively, for equivalent export values of AED 2.4 bn and AED 8.3 bn.

On the other hand, exporters in the trading of inputs, household goods and machinery posted the biggest increases of 10.8%, 18.6% and 10.4%, respectively, for equivalent export values of AED 6.8 bn, AED 2.6 bn, and AED 8.5 bn in the second quarter. Exports of members in the other economic sectors reached AED 3.1 bn, for an impressive growth of 39.5%.

**Table 2. Value of exports by economic sector of exporting member, Q1 & Q2-2007**

Description	Q1-2007		Q2-2007		Growth %
	Value (AED bn)	Share to Total %	Value (AED bn)	Share to Total %	
<b>Manufacturing</b>	<b>2.4</b>	<b>6.7</b>	<b>3.1</b>	<b>7.7</b>	<b>26.8</b>
<i>Food Manufacturing</i>	<i>0.7</i>	<i>1.9</i>	<i>0.8</i>	<i>2.0</i>	<i>16.8</i>
<i>Manufacturing of metals metal products</i>	<i>0.7</i>	<i>2.0</i>	<i>0.8</i>	<i>2.1</i>	<i>12.4</i>
<i>Other Manufacturing</i>	<i>1.0</i>	<i>2.8</i>	<i>1.5</i>	<i>3.7</i>	<i>43.6</i>
<b>Trading</b>	<b>31.5</b>	<b>87.1</b>	<b>33.6</b>	<b>84.5</b>	<b>6.5</b>
<i>Trading of motor vehicles</i>	<i>2.4</i>	<i>6.5</i>	<i>2.4</i>	<i>6.0</i>	<i>1.2</i>
<i>Trading of inputs</i>	<i>6.1</i>	<i>17.0</i>	<i>6.8</i>	<i>17.2</i>	<i>10.8</i>
<i>Trading of Textile and garments</i>	<i>0.9</i>	<i>2.5</i>	<i>0.7</i>	<i>1.8</i>	<i>-20.0</i>
<i>Trading of household goods</i>	<i>2.2</i>	<i>6.0</i>	<i>2.6</i>	<i>6.5</i>	<i>18.6</i>
<i>Trading of consumers goods</i>	<i>4.1</i>	<i>11.2</i>	<i>4.3</i>	<i>10.9</i>	<i>6.9</i>
<i>Trading of machinery, equipment and suppliers</i>	<i>7.7</i>	<i>21.2</i>	<i>8.5</i>	<i>21.3</i>	<i>10.4</i>
<i>General trade</i>	<i>8.2</i>	<i>22.7</i>	<i>8.3</i>	<i>20.8</i>	<i>0.6</i>
<b>Other sector</b>	<b>2.2</b>	<b>6.1</b>	<b>3.1</b>	<b>7.7</b>	<b>39.5</b>
<b>Total</b>	<b>36.2</b>	<b>100.0</b>	<b>39.7</b>	<b>100.0</b>	<b>9.8</b>

Source: DCCI Certificate of Origin Database

The export performance monitoring system of the DCCI captured the extraordinary performance of members in the first semester of the year, reflecting the results of government's supports for enhancement of export facilities and services. Should the observed trend continue to the second half of the year, 2007 would be a banner year for Dubai as a commercial hub.

# UAE Dates Market

Palm trees are a common sight throughout the UAE and dates a popular, traditional food that grow naturally in the region. As such dates comprise an important part of the agrarian sector. In 2005, date production accounted for more than 60 per cent of the UAE's total fruits and vegetable production. The Food and Agriculture Organization (FAO) uses international commodity prices to calculate the total value of each commodity produced by each country. They report that in 2005 the UAE ranked fourth in the value of dates produced for the global market, constituting 37 per cent of the market.

Currently, there are more than 40 million palm trees in the UAE; 40 per cent of which are in Al Ain. The area where the palm trees are grown is 30 per cent of the total land allocated for fruit products in the UAE.

## Dates World Production

In 2005, the world production of dates was estimated at more than 7 million tons. The world's top date producing countries are presented in Table 1 below.

**Table1: Top 10 countries producing dates, 2005**

Rank	Country	Production*		Production**	
		(Int \$1000)	Footnote	(MT)	Footnote
1	Egypt	366,760		1,170,000	
2	Saudi Arabia	282,292		900,540	
3	Iran	275,854		880,000	
4	UAE	238,237		760,000	
5	Pakistan	195,919		625,000	
6	Algeria	147,331		470,000	
7	Sudan	103,445		330,000	
8	Oman	74,606		238,000	
9	Libya	47,020		150,000	
10	China	40,751		130,000	

Source: <http://www.fao.org/>

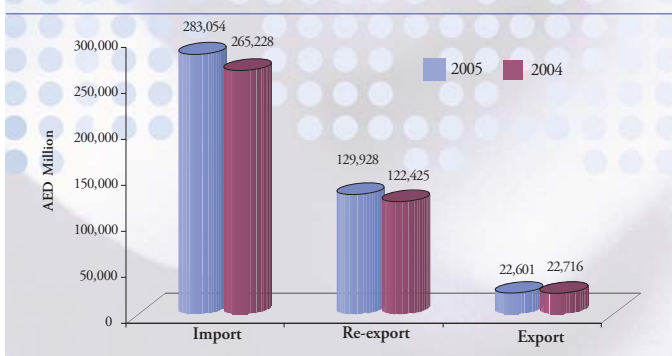
\* FAO calculations; \*\* FAO estimations

Egypt contributed the most to the world production of dates in 2005, followed by Saudi Arabia, Iran and the UAE in fourth place. The annual production of dates in UAE jumped from less than 8,000 metric tonnes (MT) in 1971 to around 760,000 MT in 2005; representing an increase of over 90 folds.

## Foreign trade

In 2005, foreign trade of UAE dates were valued at AED 465.5 million, 65 per cent of which were imports, 30 per cent were re-export and only 5 per cent were exports. In 2005, imports increased by 7 per cent, re-exports increased by 6 per cent, while exports fell by 1 per cent. Figure 1 below shows the UAE's foreign trade of dates.

**Figure1: UAE dates foreign trade, 2004-2005**

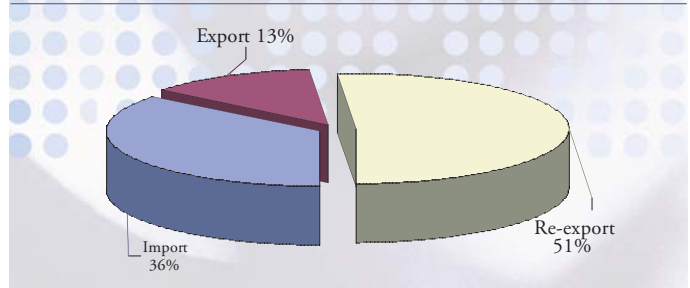


Source: Ministry of Environment and Water

## Dubai dates foreign trade

Although Dubai's share of total UAE date production is comparatively low; it still manages to comprise more than 60 per cent of the UAE's total date trade. In 2006, imported dates accounted for 51 per cent of the total date trade in Dubai followed by re-exports with 36 per cent and exports with only 13 per cent.

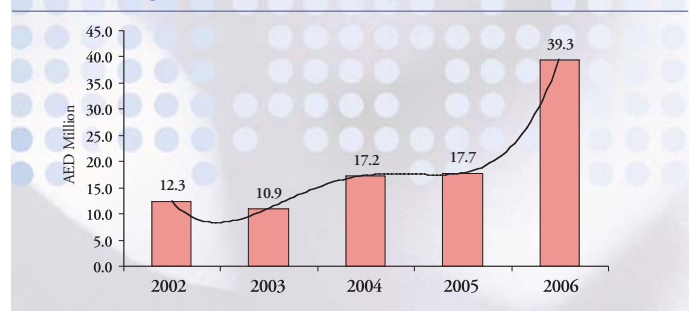
**Figure2: Dubai direct trade on date's product, 2006**



Source: Dubai Customs- Dubai World

In 2006, the foreign trade value of Dubai's dates was AED 302.4 million, 65 per cent of which were stored dates, 17 per cent dried dates, 10 per cent fresh dates and 8 per cent were other date types. During the last five years, date exports have more than doubled from AED 12.3 million in 2002 to AED 39.3 million in 2006. About 80 per cent of Dubai's date exports are exported to countries including India, Bangladesh, Indonesia, Sri Lanka, Iran, Yemen, Australia, Malaysia, Eritrea and Somalia. Figure 3 below shows Dubai's direct trade on date products between 2002 and 2006.

**Figure3: Dubai dates exports, 2002 - 2006**



Source: Dubai customs - Dubai world

In conclusion, although the UAE is considered one of the major producers of dates in the world, its share of date exports as a proportion of the total date trade is very low. Therefore, a clear export policy should be designed to either develop the UAE's international export agencies and/or by entering into strategic alliances with traders in other regional or global markets to help promote and distribute. The demand for dates is especially high in Islamic countries in the month of Ramadan. A further opportunity for date export can be seen in Greece. A study issued by the Arab Greek Chamber of Commerce & Development, indicates the growth of demand for imported dates in Greece. Furthermore, dates processing industry has potential to grow. Promotion policies are however required to launch such industry.

# UAE Utilities sector and the Economy

According to the standard classification of economic activities, the electricity, gas and water sector (henceforth called utilities sector) comprises establishments engaged in producing electricity, gas and water utilities. These establishments generate, transmit, control and distribute electric power; distribute natural gas; and treat and distribute water. This article discusses the contribution of the utilities sector to the UAE economy.

## Growth of gross domestic product (GDP)

The growth rate of the utilities sector nominal GDP follows closely that of the UAE economy. During the period 1985-2006, the average annual growth rate of the nominal GDP of the utilities sector was 8 per cent while that of the UAE entire economy was 9 per cent. The implication of this close relationship is that the utilities sector in the UAE has historically grown in line with the economy. In other words, it has been supporting the economic growth and it has not been a bottle neck to growth process.

## GDP and investment shares

Figure 1 gives the shares of the utilities sector in gross domestic product and gross fixed capital formation (GFCF) of the UAE economy during the period 1985-2005. As the figure shows, its average share in UAE nominal GDP over the last twenty years is almost constant at about 2 per cent. This does not mean that the GDP of the utilities sector has not been growing, but it means that the GDP of the UAE economy has been growing at a constant rate relative to that of the utilities sector. The average share of the utilities sector in the GFCF of the UAE economy during this period has been less stable, and it averaged around 10 per cent.

## Employment and wages shares

Figure 2 gives the shares of the utilities sector in employment and wages in UAE economy. As the figure shows, these shares followed closely each other over the years. During the period 1985-2005, the average share of labour employed by the utilities sector as a proportion of the total UAE employment was 2 per cent (which is comparable to its average share in UAE GDP, refer to figure 1) and its average share in UAE total wages was 3 %. This means that its sectoral contribution to the GDP is consistent with its contribution to the labour employment and it is getting wages that are, more or less, equivalent to what it is contributing to the GDP and employment in the UAE economy.

## Unit labour cost

The unit labour cost is measured by dividing total labour cost (i.e. wages) by output. During the period 1985-2005 and on average, the unit labour cost of the UAE economy was 0.26 while that of the utilities sector was 0.32. That means for every AED 1 unit of output the labour cost was AED 0.26 for the whole economy and AED 0.32 for the utilities sector. In other words, the economy as a whole is more efficient in using labour than the utilities sector. The labour unit cost of the utilities sector was more than that of the whole UAE economy during the period 1985-1997 and it has been less than it since 1998. That means in the recent years the utilities sector has been more efficient in the use of labour than the whole economy.

## Incremental capital output ratio (ICOR)

ICOR is defined as the amount of additional capital that is required to increase output by one extra unit. It is the reciprocal of the marginal product of capital and is used as an (inverse) indicator of how efficiently capital is used. During the period 1986-2005, the average ICOR for the utilities sector was 6 while that of the UAE economy was 4. That is, it costs the utilities sector AED 6 worth of capital to produce 1 AED extra worth of output, while it costs the UAE economy only AED 4. Thus, the utilities sector is less efficient in using capital than the whole UAE economy.

Figure 1: Shares in economy GDP and GFCF

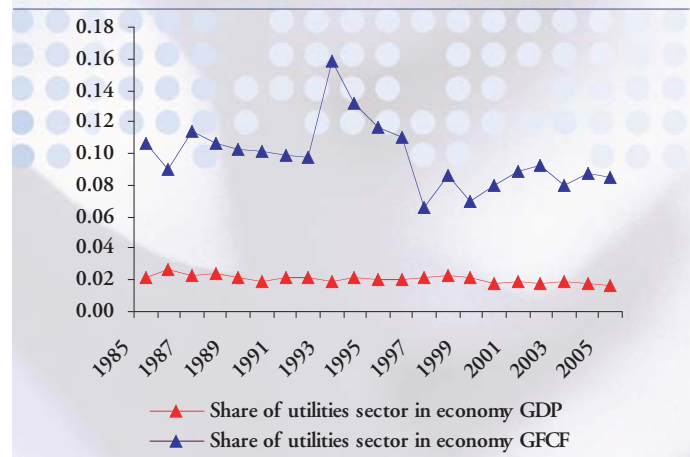
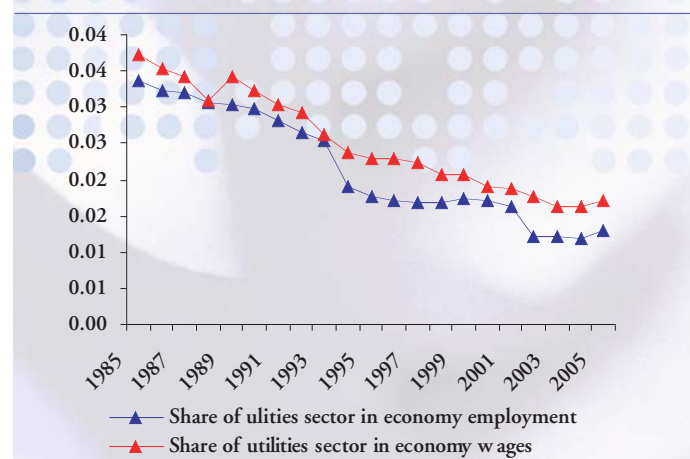


Figure 2: Shares in economy employment and wages



## Value added rate

The value added rate refers to the ratio of the value added to the gross production value in a given period, and it measures the economic efficiency with which intermediate inputs are used. A higher value added rate is indicative of improved economic efficiency whereas a lower rate is indicative of a reduction in the efficiency in the use of intermediate inputs. During the period 1993-2006, the average value added rate of the utilities sector was 0.56 while that of the UAE economy was 0.70. This means that the utilities sector is economically less efficient in the use of intermediate inputs compared to the whole UAE economy.

The above analysis shows that the utilities sector has been economically less efficient in the utilization of the intermediate inputs compared to the whole UAE economy, and there is no indication that this trend is changing in the recent years. In addition, the sector has been as well less efficient in the utilization of the primary factors of production labour and capital than the whole UAE economy. However, this latter trend has been changing in the recent years and it has been converging to that of the whole economy. The close relationship between the growth of the UAE economy and the utilities sector suggests that the UAE has overall been successful in expanding the utilities sector capacity to meet the growing demand of the economy for electricity, gas and water. Therefore, it is not likely that the UAE economic growth process to be constrained by the growth of the utilities sector.

# UAE – Vietnam Economic Cooperation Prospects

Vietnam has been the world's second fastest-growing economy after China. It has long been a tiger economy as a result of structural economic. Its strategic location between India, China and Japan, its large population, and its strong work ethic have also speeded up the economy's transformation from a centrally planned economy into a market oriented economy.

The country's commitment to economic liberalization and international integration has been achieved through its membership in the Association of Southeast Asian Nations (ASEAN) Free Trade Area (AFTA) and entry into the US-Vietnam Bilateral Trade Agreement. Additionally, after a decade long negotiations in 2007 Vietnam finally joined the WTO. It is expected that Vietnam's membership to the WTO will help in enhancing the country's liberalization furthermore.

## Economic Overview of Vietnam and UAE

The UAE GDP in 2006 is small compared to that of Vietnam although the GDP growth rates of the UAE are fairly comparable to that of Vietnam.

**Table 1: UAE & Vietnam Economic Indicators (2006)**

	UAE	Vietnam
<b>GDP (USD Billion)</b>	<b>144.7</b>	<b>262.7</b>
Agriculture	2.3%	20.1%
Industry	61.9%	41.8%
Services	35.8%	38.1%
GDP growth	8.9%	8.2%

Source: UAE Ministry of Economy, General Statistics Office of Vietnam, and CIA World Fact Book

The industrial sectors for both countries contribute significantly to their respective GDPs, which is mainly attributable to the oil industry. After oil, garments production is one of the major drivers of the Vietnamese industrial sector, apart from food processing, shoes, machine-building; mining, coal, steel, cement, chemical fertilizer, glass, tires and paper. Furthermore, the contribution of the services sector to the GDP in Vietnam (38.1%) is similar to that of the UAE (35.8%). The agriculture sector seems to be relatively vast in Vietnam as it contributes by approximately 20 per cent to GDP. In the 1980's when economy began to introduce free market reforms, it did so starting with the agricultural sector. Hence, agricultural production has soared ever since, thereby making the agricultural sector the most mature and productive sectors. Vietnam is also one of the world's largest producer of coffee, cashew nuts, pepper, and rice.

## UAE Trade with Vietnam

The general growth pattern of UAE's total trade with Vietnam from 2000 to 2005 is shown in the table below. While imports more than doubled during the 6-year period, exports growth had been phenomenal, increasing from less than a million USD in 2000 to USD 48.2 million in 2005. The highest growth of 316 percent was recorded between 2003 and 2004, when export value jumped from only about USD 6 million to USD 25 million.

**Table 2: UAE's non-oil trade with Vietnam (2000-2005)**

Values in USD Million

Year	Import	Export	Total Trade
2000	36.2	0.6	36.7
2001	28.5	1.3	29.7
2002	33.1	3.7	36.9
2003	38.7	5.7	44.5
2004	59.9	25.4	85.3
2005	78.4	48.2	126.5

Source of trade data: UAE Ministry of Economy

UAE's imports from Vietnam are relatively more varied. Topping the list of major imports in 2005 were Footwear, gaiters and the like and their parts, accounting for 23 percent of UAE's total imports from Vietnam;

<sup>1</sup> This index measures a country's inward FDI relative to the size of the domestic economy which is measured by GDP.

<sup>2</sup> This index is measured as a share of the country's outward FDI in world FDI as a ratio of its share in world GDP.

followed by Man-made filament, contributing 14 percent; Coffee, tea, mate and spices, 9 percent; and Tobacco and manufactured tobacco substitute, 8 percent. Each of the following product groups contributed about 5 percent to the total value of imports --- Edible fruits, nuts, peel of citrus fruits and melon; Furniture, bedding, mattresses, lamps and fittings; Electrical machinery and electronic equipment and parts; and Machinery (mechanical) and parts. Imports of other products contributed 25 percent to the total value.

Compared to UAE's imports from Vietnam, its exports products were very limited. Exports of Oil seed, and industrial or medicinal plants and fodder accounted for more than half (57%) of the country's non-oil exports to Vietnam, while exports of Plastics and articles thereof contributed 29 percent; thus, all other export products accounted for only 14 percent.

## Foreign Direct Investment in Vietnam

For the period 2003 to 2005, Vietnam ranks 53rd worldwide out of 132 countries on UNCTAD's Inward FDI Performance Index compared to the UAE which ranks 15th internationally (Refer to Table 3). Similarly, for the period 2003 to 2005, Vietnam ranks 111th on the Outward Performance Indicator Index compared to the UAE in 23rd place. Table3, indicates that Vietnam places well above China and India in terms of inward FDI, therefore FDI inward potential is much more promising in Vietnam than in China and India.

**Table 3: FDI Performance Indices (2003-2005)**

Values in USD Million

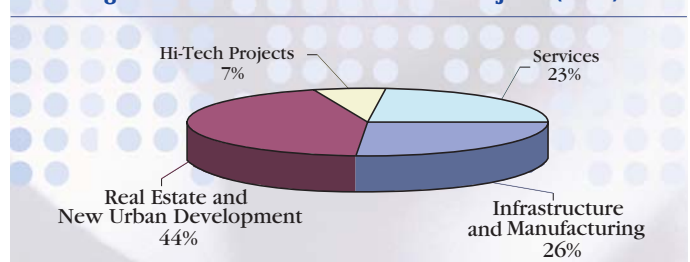
Inward		Outward	
Country	Rank	Country	Rank
UAE	15 <sup>th</sup>	UAE	23 <sup>rd</sup>
Vietnam	53 <sup>rd</sup>	China	67 <sup>th</sup>
China	55 <sup>th</sup>	India	68 <sup>th</sup>
India	119 <sup>th</sup>	Vietnam	111 <sup>th</sup>

Source: UNCTAD

The top 5 investors of FDI in Vietnam in the first half 2007 are Singapore, Korea, India, British Virgin Islands and Japan with a collective total of 285 projects worth an investment capital of USD 2.92 billion. Whereas, the top 5 provinces of Vietnam attracting highest new FDI capital in the first half of 2007 are Baria Vung Tau, Hue, Binh Duong, Ho Chi Minh City (HCM City), Hanoi with a collective total of 328 projects worth an investment capital USD 2.4 billion. However, on the whole HCM City has been the major FDI destination since 1988.

As of 2007, in Vietnam there are 73 new projects in four major economic sectors (infrastructure and manufacturing, real estate and new urban development, hi-tech projects and services) that are calling for investments. The distribution of these projects is shown in Figure 1.

**Figure 1: Vietnam's Potential FDI Projects (2007)**



Source: [http://itpc.hochiminhcity.gov.vn/en/economic\\_infomation](http://itpc.hochiminhcity.gov.vn/en/economic_infomation)

## Future Trade Prospects

Vietnam's agricultural sector is one of the country's strongest sectors. This is a strength the UAE can explore, both in terms of direct trade or in terms of direct investment on food processing and manufacturing. Additionally, given Vietnam vigorous industrialization process, the UAE can supply the necessary fuel, industrial raw materials and inputs. And finally, given the UAE's established trade routes with European and African markets and the existing weak linkage between Vietnam and these markets, the UAE can serve as an important transshipment port between Vietnam and the European and African markets.