

COUNTRY PROFILE: EMIRATE OF FUJAIRAH**DATED: JUNE 2007****CREDIT GUARANTEE:**

	<i>Country Rating</i>	<i>U/W Method</i>
<i>Short-term</i>	2B	No Restrictions

Recent Political Highlights

- Shaikh Hamad bin Mohammed Al Sharqi has been in power since the death of his father in 1974. All the land in the Emirate is owned by the Shaik personally, as there is no distinction between state and personal wealth.

Recent Economic Highlights

- Fujairah's economy is based on fishing and agriculture. It also depends on subsidies and federal government grants distributed by the government of Abu Dhabi. The UAE economy is estimated to have grown by 10.2% in 2006 and is forecast to grow by 8.1% in 2007. The EIU forecasts real GDP growth at 8.5% in 2007 and 7.3% in 2008.
- Fujairah plans to introduce new legislation that will allow foreigners to buy property in the emirate in an effort to emulate Dubai where real estate is booming. The emirate hopes to implement the new law this year. The legislation, when passed, could trigger the development of a 4 km-long residential land reclamation project south of Fujairah's port.
- The investment arms of the Dubai and Fujairah governments have agreed to set up a joint investment company (Al Taif) based in Fujairah. Dubai Investments will own a 60% stake and the Fujairah Investment Establishment 40%. Al Taif Investments will have capital of \$136m and invest in real estate and industry projects.
- The government of Fujairah has sold most of the stakes in its refinery to Swiss-based oil trader Vitol. The 82,000 bpd refinery that has been shut since March 2003 due to poor refinery margins has excellent oil storage tanks that can hold over 3 million barrels. Demand for storage capacity has surged over the past few years, as the oil market has shown a persistent strength. Fujairah is one of the world's largest ship refuelling centres and lies on the Gulf of Oman just outside the shipping chokepoint of the Strait of Hormuz, through which around 20% of global crude passes daily. The UAE is planning to build a large new refinery in Fujairah with capacity around 500,000 bpd and an overland pipeline that will re-route crude oil exports from Abu Dhabi.
- The Dubai Multi Commodities Centre is considering building a liquefied natural gas storage plant in Fujairah rather than Dubai, in order to avoid the Strait of Hormuz which lies between the Arabian Peninsula and Iran.
- UAE is one the Gulf states looking to build coal-fired power plants to meet the regions soaring electricity needs. The Emirate of Fujairah would be a top site for a UAE coal fired plant, as it lies outside the Strait of Hormuz. The high cost of bringing shipping into the Gulf, due to the war-risk premium for insurance in the volatile region would make coal plants outside the Gulf more economic than any inside it. Coal traders and producers said South Africa was the most economic source of coal for the Gulf.

Latest Trade Developments

- Main exports: crude oil, natural gas, re-exports, dried fish, and dates.
- Main imports: chemicals, food, machinery and transport equipment.
- Major trade partners: Japan, South Korea, Iran, China, Germany, US, France, Italy and India.
- SA's exports to the UAE had a total value of R3.98bn in 2006 and consisted mainly of base metals, minerals and mineral products, machinery, electronics equipment, defence equipment, chemicals, plastic goods and foodstuffs. Over the same period imports from the Emirates totaled R3.92bn, dominated by mineral products but also including machinery, transportation equipment, consumer electronics, home appliances, ball bearings, computer accessories and textiles. Goods from the UAE are increasingly being re-exported to countries such as Zimbabwe, Zambia, Botswana, Swaziland and Lesotho through SA's well established distribution network. Exports in the year-to-date-to-April 2007 totalled R1.4bn and imports over the same period were R1.5bn.
- The past few years have seen a significant number of South African companies - prominent among them being Murray & Roberts, Woolworths, African General Trading, Genrec, Jostin Trading, Emirates Paper Mills, Almar, Amalgamated Reinforcing and Blastrite Gulf - set up operations in the UAE. There have been significant tourism investments flowing into South Africa from Middle East investors on the acquisition of hospitality properties.

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