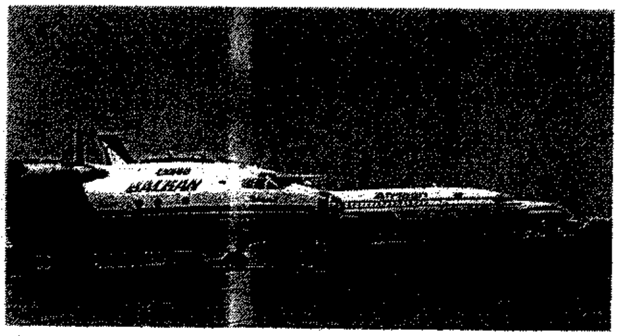
PLAINTIFF'S EXHIBIT 2

EXH-2

Sharjah and Dubai race to set up airport FTZs



▲ Sharjah is well positioned for sea air growth

Both Sharjah and Dubai airports are opening their own free trade zones (FTZs) following the runaway success of Dubai's port-based FTZ, Jebel Ali.

Dubai Cargo Village has set aside one million square metres and Dhs67m for its zone, which will be built in three phases - an extended apron with ten 747-sized parking bays; warehousing for airlines, agents and distribution; and facilities for light industry. **DHL** and **Federal Express** have also been allocated space to build their own facilities. Construction of the zone is expected to take a year.

However, the Dubai FTZ is dwarfed by the 4.5m sq m FTZ announced by the **Sharjah Airport** authority. Centred on the airport's former military airbase, the new zone already has 100,000 square metres of offices and warehousing ready for use, according to Richard Chichakli, the commercial manager brought in from the USA to run it. It was due to enter operation on 15 June.

Though insisting that it is not formally competing with Dubai, Chichakli is strongly pushing the user-friendly environment offered by the Sharjah FTZ. There will be no local ownership requirements, all companies within it will have access to a custom-built computer system, and applications will be processed "within 24 hours", he promises.

A further FTZ is also planned for Sharjah's east coast port of Khorfakkan, which offers a sailing time two days shorter than to Jebel Ali. The combination of Khorfakkan and Sharjah airport could eventually halve current sea to air transit times to as little as three hours, Chichakli says.

Sea air continues to boom in Sharjah, with volumes up 45 percent year on year in 1994, according to Fadil El Tom, president of the Sea-Air Operators' Association. Speaking at Sharjah's recent Sea-Air Conference, he predicted growth would continue at this rate in 1995.

However, the market remains a fragile one. Traffic from the Far East to Europe is suffering from faster sea shipping times and falling airfreight charges. Rates as low as $2.30 per kilo are now said to be available in Hong Kong, compared with $1.80 for sea air.

More promising are the African and CIS markets where there is no viable sea alternative to airfreight. The new oil producing nations in the south of the CIS are said to offer particular potential in the medium term, though trade with Russia suffered a blip when extra import duties were imposed in October. ■

AEI bags US customs broker

Air Express International (AEI), which made headlines in Europe last year with the acquisition of German forwarder **Kern** and the takeover of its Swiss franchise partner, is now expanding in its home market. The company has signed an agreement to buy **Radix Group**, one of the leading customs brokers in the US, for an undisclosed sum.

Radix, which has 23 offices in the US, reported net revenues to the tune of $30m for the fiscal year ended 31 July 1995. Gross revenues over the period amounted to $65m. Customs brokerage is the mainstay of its operations, but Radix also provides airfreight and deep sea services.

AEI itself can look back on a successful 1994, judging from its recently published annual report. The company's revenues jumped from $725.7m in 1993 to $997.3m. Net income surged from $17.3m to $22.6m over the period. AEI handled 1,632 shipments in 1994 with a total weight of 789m lb, of which 886 originated outside the US, 510 went from the US to international markets, and 236 were intra-US. Airfreight revenues amounted to $885m in 1994, up from $764.3m the year before.

President & ceo Guenther Rohrmann says that 1994 was the most successful year in the company's history to date. He attributes the strong performance to four main factors: solid growth in airfreight activities, a major turnaround on the ocean side, an improvement in the results of AEI's German operations, and the positive impact of new acquisitions. AEI is clearly on the way to turning into a multimodal forwarder, following the acquisition of Votainer in 1993. Last year airfreight revenues accounted for 78 percent of its turnover, down from 89 percent in 1992.

With cash resources of over $60m, the company is likely to expand further. Since January 1993 AEI has gobbled up altogether ten companies.

This year the company has been able to sustain its growth momentum, reporting a 47 percent increase in net income during the first quarter to reach $5.1m. Revenues climbed 39 percent to $284m. With continued growth expected in the airfreight sector, AEI is gearing up to expand its Pandalink network beyond Europe this year. ■

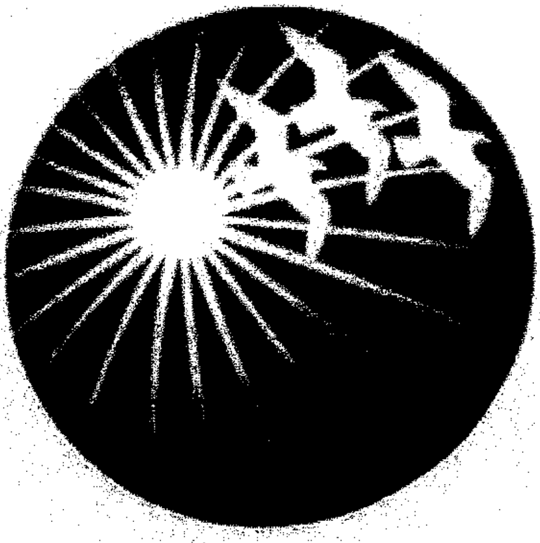
SHARJAH AIRPORT INTERNATIONAL FREE ZONE:

THE VISION AND THE ANSWERS

by: Richard Chickakli
Commercial Manager
Sharjah Airport
International Free Zone
P.O. Box 8, Sharjah, UAE
Tel: 06-581800
Fax: 06-581900

Since inception on May 8, 1995, Sharjah Airport International Free Zone (SAIF-Zone) has become the new symbol of quality and commitment to excellence, a concept of more efficient operations and less complicated procedures, and a competitive alternative for doing business in the UAE and beyond. The SAIF-Zone, in a very simple way, is the vision of the future and the answer to every entrepreneurial idea.

Today, in less than six months of operation, the SAIF-Zone officially isthe fastest growing business ever recorded in the region. As of the end of January, 1995, 110 companies representing 34 different nations have already obtained licenses and commenced operation, with more than US$ 239,000,000 of capital deployment, and the creation of 2,869 new job opportunities.



The overwhelming response of the business community toward SAIF-Zone is indicative of the superior advantages the Zone offers compared to the other free-trade and industrial zones in the area. The Zone offers all of the basic benefits, including tax-free operation, full repatriation of capital and profits, abundance of cheap energy resources, including LPG, and the UAE's most liberal labor recruitment policy. In addition, SAIF-Zone has the most competitive cost structure among the existing free zones. These services are combined with very efficient administrative services, and provided in a consumer-oriented environment.

At the beginning of January 1996, the SAIF-Zone Authority initiated an aggressive expansion and development project, with a total value of US$ 43,800,000, to add to the existing infrastructure 30,000 square meters of warehousing space, 9,000 square meters of super-deluxe office space, and a 5.9 kilometer road network. These projects are scheduled for completion by the end of July 1996.

Sharjah, a northern emirate of the UAE, is strategically situated midway between the East and West, and it is the only state in the UAE with ports on both of the east and west coasts of the country. This unique situation permits the transfer of goods from the Gulf of Oman, in the Indian Ocean, to the Arabian Gulf through SHARJAH LINK.

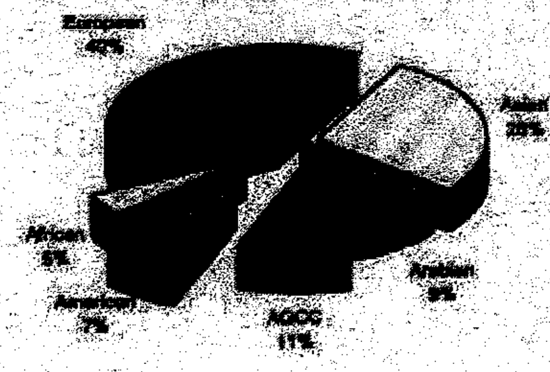
SHARJAH-LINK is a comprehensive way of importing goods into the UAE, or for re-export, without having the consignments enterthe waters of the Arabian Gulf. In addition to reducing the time at sea for export or import by 48 hours, the utilization of the Link provides substantial savings in shipping costs and insurance premiums. It also provides unparallel strategic and marketing advantages, since goods coming via SHARJAH LINK can be in consumers' hands and on every shelf-space, while the goods coming via the Arabian Gulf in the old traditional way are still at sea.

On the other hand, Sharjah is the ideal location for access to markets comprising nearly 2 billion consumers in Europe, Asia, and Africa. The special relations between Sharjah, the CIS, and the Indian Sub-Continent provide additional access to these heavily populated and emerging markets.

At present time, there are 44 different CIS Airlines operating from Sharjah into 55 different destinations in the CIS, and more than 80 destinations in the East European emerging markets. Destinations in Western Europe and the Americas are also well served through Lufthansa Cargo Hub at Sharjah International Airport, who operate an average of 195 monthly cargo-flights from Sharjah.

The SAIF-Zone represents such a unique opportunity to importers and exporters utilizing sea, air, or sea-air freight to explore these markets and benefit from superior logistical advantages, including capacity

SAIF-ZONE INVESTORS DIVIDED BY ECONOMIC GROUPS
As of January 31, 1996



availability, fast and convenient connections, and the most competitive rates in the region. Operators of distribution centers at the SAIF-Zone have reported savings up to 39% in operational costs compared to their other operations in the UAE.

The 10,000,000 square meters of land available for the development renders Sharjah Airport International Free Zone the largest airport free zone facility in the world. In addition to the unlimited potential for growth, the SAIF-Zone also offers the only lease agreement with guaranteed rates for rent and services.

▲ Richard Chichakli and his rapidly changing map

Dubai and Bahrain are both setting up airport free zones, but Sharjah already has a head start

Free launches

Last June, the Sharjah International Airport Free Zone consisted of an old army base and two million square metres of desert. By this February, the base had been given a new lick of paint but not much had outwardly changed.

But in fact, appearances are very much deceptive, for this is one of the UAE's boom areas, and a key plank in the airport's strategy for growth. Richard Chichakli, commercial manager for the zone outlines progress on the plan on his office wall. The plan is already out of date. The first phase of the zone was the refurbishment of the military base to provide 10,000 sq m of office and warehouse space and develop two further parcels of land.

But this first phase was sold out within a few days of being put in offer in September 1995 and phase two had been snapped up by the end of November. So now phases one to three are all being developed at once, and the original 2m sq m site has been extended to cover 10m sq m, in effect the whole east and north side of the airport.

What this adds up to is 180 units under construction, 80 with 500 sq m of warehousing and 100 sq m of offices, and 100 with 250 sq m of warehouse and 30 sq m of offices. Units can be combined to give a maximum of 2,400 sq m. A separate block with 12,000 sq m of offices is also being built. The first of 102 firms which have taken out licences to operate in the zone were due up residence in the zone on 1 April. The activity breakdown for the companies is 17 industrial, 16 service, and 69 under the general banner "trade".

Their geographical origin is widely spread, with countries as diverse as Japan, South Africa, Panama, Russia, the USA and the UK all represented. Chichakli estimates that 51 percent of them are air freight users. By the end of 1996, he expects to have signed up at least 250 firms and to have added 80,000t of air cargo to the airport's statistics.

One of the main factors attracting customers must be the sheer space at Sharjah airport. But Chichakli can also reel of a whole list of other advantages, chief of which is flexibility. "What we are offering is not a product, but a choice," he says. "We are not trying to influence construction decisions. We are representing the facts and then letting the customers decide." Simplicity is also a key concept. "The procedures for applying for are licence are as simple as 123."

Chichakli thinks Sharjah has a lot to offer over other emirates in the UAE, not least its broad-based economy. "Abu Dhabi's economy is 97 percent oil-based, in Dubai the figure is 37 percent, but here it is only six percent," he says. "Forty six percent of the industrial infrastructure of the UAE is right here in Sharjah. What that means is that this is a more stable business environment. You are not so exposed to falls in the price of oil."

His other buzz word is TIT or Time in Transit, in particular when it comes to sea-air. Sharjah, he points out, is the only emirate with an east coast port - Khor Fakkan. "It not only saves 48 hours sailing time through the Straits of Hormuz, but it also saves on insurance costs too," he points out. "That means that we can offer sea air from Hong Kong to Europe for $1.3 a kilo.

"We have now started something called the Sharjah Link, which guarantees transit times, using our own fleet of trucks, from the Gulf of Oman to the plane in four hours." A free zone at Khor Fakkan is also due to open in April or May, allowing goods to be transported without bond from port to airport. This will open in April or May. "First we have to move a mountain," says Chichakli matter-of-factly.

Sharjah is not the only airport in the Gulf with major free zone ambitions, of course. Dubai's one million sq m zone to the north of the airport is also expected to bring significant new business to the airport. DHL should move to the zone in the autumn, and the zone will also contain facilities for high tech manufacturing and of course warehousing.

However, this will complement rather than compete with the existing free zones - Jebel Ali and Dubai Cargo Village, which itself has FTZ status. "The new zone will be for companies transporting by air and lighter industry, while Jebel Ali will continue to handle larger scale activity," points out Raji Hakim, general manager cargo marketing at DNATA. "It is a different concept altogether from the Sharjah zone. Like Sharjah, it will be possible to move free zone cargo between Jebel Ali and the airport, but unlike in Sharjah, users will have to deposit a bond with customs.

Meanwhile, the long-awaited free zone is again on the cards at Bahrain. "We are confident that we will see progress on the free zone in 1996," maintains airport head of marketing David Ryan who is optimistic that the geographical advantage of Bahrain as a Gulf hub - in particular for the Saudi Arabian market - will be boosted by such a development.

"Cargo growth here is tied to the state of the Bahrain economy and while we have seen an upturn in garment exports, there are no major construction works in the pipeline which could be expected to boost growth," he says. "Therefore, growth is tied to the expansion of transhipment facilities and streamlining the handling operations of Bahrain Airport Services." ■

SAIFZ keen to woo foreign investors

Managing panel has approved establishment of 34 businesses from 14 countries including the UAE

Spread over 10 million square metres and equipped with state-of-the-art facilities, the Sharjah Airport International Free Zone — SAIFZ — has become the newest business hub in the UAE, designed to cater to both local and international investors and offering the tools to cope with the rapidly [illegible] the region.

Changes in the global trading patterns and the emphasis by businesses feel the pulse of all international markets as well as the demand for a reliable transport system that would allow businessmen to transport their goods around the world as quickly and efficiently as possible are what prompted Sharjah to establish SAIFZ.

According to Ghanim Al Hajri, General Manager of SIA and member of board of directors of SAIFZ, the establishment of the zone had become necessary especially after the increase in custom duties last year and the move to increase duties further to bring them in line with the tariffs in other GCC countries, said Al Hajri.

"Since the UAE re-exports about 90 per cent of the total imports, why should an importer pay four per cent tariff on goods he does not intend to sell locally?" asked Al Hajri. He said this was the main reason why Sharjah had decided to establish a free zone, utilising the facilities available at the Sharjah International Airport including its central location and easy access to the Indian Ocean on the East Coast and the Arabian Gulf on the West Coast through its Khalid and Khor Fakkan seaports," he said.

Ideally located in the centre between the east and the west, Al Hajri said SAIFZ was looking to [illegible] tre for the European market and the Far East market as well as catering to the growing demand from the CIS and Africa.

He believed that SAIFZ would be the right place to produce semi-finished goods like computers, watches, toys and electronics. This would increase the potential of cargo operation in the airport and attract more companies to use the airport facilities especially those whose business success depended on the logistics of their situation.

"The international trend in business nowadays is to make your goods available in markets throughout the world and be available to your customers at all times through distribution agents and sales representatives. The SAIFZ can help those agents and representatives by offering them a very efficient and effective way to distribute their goods in Europe and cut their storage expenses while guaranteeing punctuality in delivering their goods to markets," he said.

He added that SAIFZ which is celebrating the opening of its doors to entrepreneurs today, would aim at attracting more businesses from the overseas market while offering its services to local businessmen who had dealings and outlets in the international market.

Ghanim Al Hajri

SAIFZ was created in May 8 this year by a Sharjah Government decree after the completion of an extensive study into the operation of several regional and international free zones in order to offer a unique service which differs from others at a competitive rate.

The result of the study was the establishment of a zone which can offer plots and buildings at a rate of 20 to 30 per cent lower than any other free zone in the area and 80 per cent cheaper in administration charges. Such advanced services are being offered at an almost negligible price. It is the result of the directive of His Highness Dr. Sheikh Sultan bin Mohammed Al Qasimi, Member of the Supreme Council and Ruler of Sharjah who had ordered the managing committee to run the zone as a non-profit making organisation as he felt the facilities should be offered as a service [illegible].

The concept was also aimed at encouraging investment and help investors to launch new projects. It is also expected to act as a public relations exercise for Sharjah, promoting the use of the airport, sea port and the host of other facilities available in Sharjah including the cargo terminals.

Richard Chichakli, Commercial Manager of the SAIFZ said that this policy had paid off and was proving to be extremely successful for Sharjah and the airport.

"We are flooded with inquires from all over the world and actually the inquiries started even before the establishment of the free zone was officially announced," he added.

He said the managing committee had already approved the establishment of 34 businesses from 14 countries including the UAE. Investors had signed up for plots covering the 100,000 square metres assigned for the zone's first phase adding that nearly $30 million of capital had been deployed in these projects.

Chichakli said that the sale of the first phase had prompted the managing committee of the zone to open the second phase and the expectation was to sell off the entire 10 million square metres within three years from now based on the fact that the SAIFZ was able to reach its first year target in one month and even before announcing the opening in media.

The industries licenced by the SAIFZ are varying from computer assembly projects to electronics, medicines and chemical plants and the construction works at some of these projects had already started on the site, said Chichakli.

He said 40 per cent of the total number of projects were booked by local businessmen and traders while the rest came from Qatar, EC, U.S., India and Bangladesh.

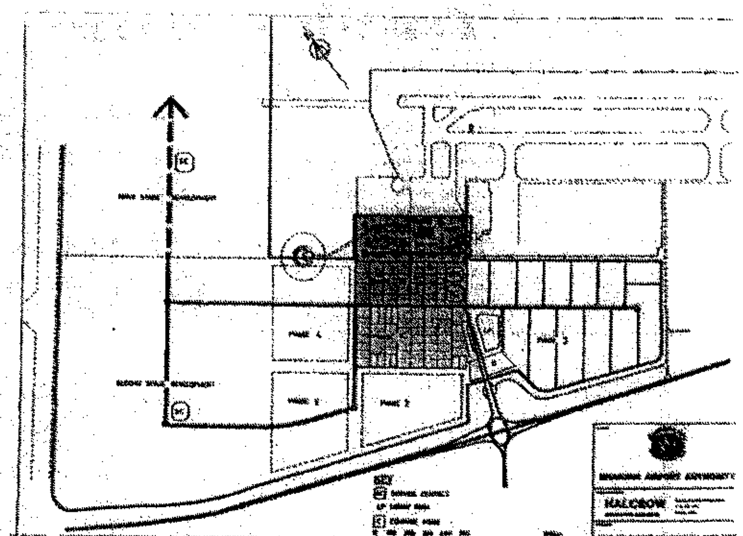
He said the applications for the establishment of new projects in the SAIFZ were assessed according to their actual contribution to the UAE economy and the role the industry can play to enhance the role of Sharjah as a key distribution centre in the Gulf.

He pointed out that strict environmental measures would be applied on chemical industries in order to avoid any kind of pollution which might result from these kinds of projects.

Chichakli said that SAIFZ was not competing with other free zones in the area, but was trying to offer a different service. "We are lucky to be next to Jebel Ali complementing their efforts in building the image of the UAE as an industrial hive and trade distribution centre," he said.

Sharjah Airport International Free Zone (SAIFZ) has become the newest business hub in the UAE. Ideally located in the centre between the east and the west, SAIFZ is looking to become a major distribution centre for European and the Far East markets as well as to cater to the growing demand from CIS and Africa. It is also expected to act as a public relations exercise for Sharjah, promoting the use of the airport, seaport and the host of other facilities available in Sharjah including the cargo terminals.

DURAID AL BAIK reports



Adopts new technique to achieve success

The great success achieved by the zone is based on the "KISS" technique according to Chichakli which stands for "Keep It Simple and Smart".

"We try to keep our customers happy and satisfied by making everything clear to them from the beginning and by ensuring them that we are available to serve them for 24 hours a day and seven days a week," he said.

With regard to the simplicity aspect, Chichakli said the licencing procedure would be completed in three steps starting with the submission of project outlines, license application and completion of the registration procedures.

General licencing, he said would be issued to companies which were already holding a valid license from any licensing authority in the UAE such as the Economic department or Municipality and for the same activities they are permitted to engage in the emirates. Special licenses can be obtained by companies incorporated or legally established outside the UAE and ownership of companies under this category could be 100 per cent foreign.

Companies operating under special licenses were permitted to do business within the free zone or outside the UAE. They could also conduct sales through a UAE registered agent or distributor and they could purchase goods and acquire services from within the country.

The third category of licenses offered by SAIFZ is the Enterprise licenses (FZE) which is given for enterprises incorporated within the free zone which allows 100 per cent foreign ownership with financial liability limited to the amount of paid up capital, separate legal entity and start up with a minimum capital investment of $250,000.

The fourth type of license offered by SAIFZ is the National Industrial Licenses (FZNI) which is given for manufacturing companies that are registered either within or outside the UAE which had minimum shares of 51 per cent held by GCC nationals and no less than 25 per cent of the manufacturing process shall be accomplished within the free zone.

The 10-point advantage of SAIFZ

* Immediate access to the Sharjah International Airport which receives all categories of aircraft and handles all types of cargo.

* Access to both East and the West coasts of the UAE. Can utilise the port of Khor Fakkan at the East Coast to reduce sailing time by two days.

* Access to the one of the most sophisticated hub station in the region and the UAE operated by Lufthansa Cargo.

* Access to the modern infrastructure of Sharjah and the UAE at a reasonable cost of living as compared with the neighbouring states.

* Access to unlimited resources of work force with the most economical wage structure.

* Access to the simplified administrative, recruitment and services policy adopted by SAIFZ which would quickly facilitate the business.

* Access to a competitive structure of administrative fees, property and equipment lease which help in maximising the profits of businesses.

* Access to SAIFZ 24 hours' services to accommodate the needs and the emergencies.

* Access to a Tax-Free operation, 100 per cent ownership and full repatriation of capital and profits.

* Priority and special handling for SAIFZ goods at any Sharjah port and simplified custom procedure.

Wide ranging facilities offered

A 15-year exemption on income and corporate tax has been granted to all firms in the zone

The 22-article Emiri decree dealing with the establishment of the SAIFZ emphasised that the zone would be open for kinds of goods, industrial and commercial activities including factories, assembly workshops, storage facilities, shipping and insurance facilities, and any other banking and financial services.

The decree stated that the imports of goods for industrial purposes and commercial storage facilities at the zone would be tax free with custom duty exemption covering goods imported through the airport and the sea ports in Sharjah.

Exemption

A similar exemption will be offered on the re-export of these goods and other goods manufactured within the zone.

Machines and other type of equipment imported for the use within the free zone will also be exempted from custom duty.

Goods for consumption in the UAE will be subject to the country's import tariff which is currently fixed at 4 per cent.

A 15-year exemption on income and corporate tax had been granted by the law which covers all kinds of companies working in the zone. The exemption period can be renewed for a similar period upon the decision of the managing committee.

Richard Chichakli, Commercial Manager of SAIFZ, showing files of applicants interested in setting up business in SAIFZ. — Picture: GN

Panel appointed

A five-member committee chaired by Sheikh Abdullah bin Mohammed Al Thani, who is also the chairman of the Sharjah Civil Aviation authority was appointed by the government to set up the zone and to run it.

The authority, while being a Government of Sharjah body, would have administrative and financial independence and be fully responsible for the free zone.

The five areas of its responsibility includes drawing up basic rules and regulations governing the zone, issuing licences for the registering of companies and establishments applying to operated from the zone, setting the fees and rents to be paid by the companies and providing the investors with the assistance they need to bring in staff