

Investment Opportunities in the UAE

In the course of the last thirty or so years, the United Arab Emirates have managed to take advantage of income from oil and gas reserves to build its place on the economic map of the world. The policy of active diversification of the economy has brought many foreign manufacturing and service sector investors to the country.

Initially, the UAE took advantage of its established oil and gas operations to develop related industries, such as petrochemicals, fertilizers, cement and aluminium. Subsequently, the range of manufactured goods widened to include electronic items and light machinery for both the domestic market and export. Currently, major growth areas include capital-intensive high-technology industries supplying, among other items, security and safety equipment; information technology equipment; medical equipment and services; construction products; air-conditioning and refrigeration equipment; environmental and pollution control equipment; and sporting equipment. Strong local markets and the potential to export to neighbouring countries have attracted foreign companies from all over the globe to set up manufacturing activities in the UAE.

The rapidly growing population and changing consumer habits have also been catalysts for the remarkable growth of the service sector in the UAE. Services previously unavailable in the country are now offered by a number of providers. Yet, demand for quality services of all kinds is strong and there is still room for newcomers into the sector.

The UAE has consistently been rated as one of the most attractive investment destinations in the Arab world for foreign capital based on its various incentives, practical laws, advanced infrastructure, inexpensive energy and labour as well as its location in the heart of a regional consumer market of nearly 2 billion people in the Gulf region, Middle East, Northern Africa and Central and Western Asia.

Investment Opportunities in Ras Al Khaimah

Ras Al Khaimah is emerging as a viable investment alternative with an increasingly large number of firms choosing to locate their operations there rather than in already well-established but increasingly overcrowded parts of the UAE. The costs of living and doing business in Ras Al Khaimah are markedly lower than in Dubai. In addition, the distance of less than 100 kilometres between Ras Al Khaimah and Dubai can be covered in less than one hour. This enables companies to take advantage of being very close to Dubai but avoiding any negative impact resulting from the high growth there.

Under the guidance of the Crown Prince H.H. Sheikh Saud Bin Saqr Al Qasimi, the RAK government has embraced the concept of free enterprise as a vehicle for progress and development. The government is proactive in its approach for attracting foreign investments by creating an incentive based environment and a suitable climate for investment. The emirate registered a GDP growth of 18.1 per cent in 2005 and 9.2 per cent in 2006.

Ras Al Khaimah offers excellent investment opportunities in diverse ever-growing economic areas. The following sectors offer attractive investment opportunities:

Manufacturing

The emirate derives its economic importance from the abundant raw materials which have made it the main producer of cement, building materials, quarries, and ceramics. More recently, companies from other parts of the manufacturing sector have invested in Ras Al Khaimah: pharmaceuticals, electronics, the automotive industry, metalworking and machinery, as well as food processing.

It is estimated that the cost of setting up a factory in Ras Al Khaimah is about 20 per cent lower compared to other destinations due to lower prices of land, better logistics, no taxes and low customs duties as well as reduced overhead or costs incurred from bureaucratic delays. Ras Al Khaimah allows investors to save time to complete a project from zero date to a fully operating factory in around 6 to 12 months.

These factors, coupled with lower living costs, competitive freight costs and easy access to the rest of the UAE, have created an optimal environment for manufacturing industries to set up their UAE business operations in Ras Al Khaimah.

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Industry in Ras Al Khaimah, 2006

Industrial activity	Number of industrial firms	Number of employees	Investment (Million AED)
Food, beverages and tobacco	14	1058	282
Textile, wearing apparel and leather	3	312	5
Wood products Including furniture	5	349	18
Paper products, printing and publishing	8	469	100
Chemical and plastic products	15	1836	467
Non-metallic mineral products	34	9644	2605
Basic metallic industries	2	116	19
Fabricated metal and equipment	22	1353	158
Other manufacturing industries	8	197	8
Total	111	15334	3662

Source: Ministry of Finance and Industry

Logistics / Warehousing

Proximity and excellent road connections to the fast-growing but congested markets in Dubai have made Ras Al Khaimah an ideal location for logistics and warehousing for both the UAE and the GCC markets.

Ras Al Khaimah has a state-of-the-art container terminal in Mina Saqr Port and one of the the best bulk handling ports in the region in Al Jazeera. The emirate is also developing smaller ports in Ras Al Khaimah and Al Jeer to serve regional traffic and complement the above mentioned larger ports. Expansion plans for the Ras Al Khaimah Airport and the launch of RAK Airways in late 2007 have boosted the logistics infrastructure of the emirate tremendously.

Growing space limitations and lacking infrastructure in major logistics hubs near large ports have encouraged logistics companies to look for alternative locations and Ras Al Khaimah is one of them.

The Service Sector

The service sector in Ras Al Khaimah is still less developed than in Dubai and thus offers many opportunities. The main advantage of the emirate, however, is its proximity to Dubai which allows RAK-based companies to provide services to this fast-growing, global business hotspot very cost-effectively due to the lower costs of living and doing business in Ras Al Khaimah.

Tourism

Ras Al Khaimah has tremendous potential in the tourism sector. Its unique natural resources including hot mineral springs, mountains, sand dunes, picturesque locations and greenery provide attractive investment opportunities.

The Ras Al Khaimah government has adopted a tourism master plan that embraces a number of large-scale developments, including luxury hotels, residential complexes, an offshore island and the redevelopment of the creek area. The plan also includes the development of a mountain complex – Jebel Jais Mountain Resort – complete with a five-star hotel, luxurious residential units, a snow slope and a climbing and abseiling centre. Some AED 5 billion (USD 1.4 billion) will be spent on building luxurious four- and five-star hotels along the seafront and further investments are expected to develop the mountain areas. The tourism master plan also includes the promotion of Ras Al Khaimah's heritage sites.

It is estimated that by 2010, Ras Al Khaimah will have at least 25 hotels and will be visited by 2 million tourists annually.

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Tourism in Ras Al Khaimah, 2002-2006

Year	2006	2005	2004	2003	2002
Hotels	8	7	6	6	6
Rooms	1,069	933	825	749	744
Beds	1,863	1,630	1,388	1,117	1,142
Guests	168,000	157,000	116,000	105,000	87,000
Nights	518,000	473,000	360,000	261,000	227,000
Occupancy (%)	81	77	68	53	44

Source: Ministry of Economy

Real Estate

In November 2005 the RAK government issued a decree permitting expatriates to enjoy freehold ownership of property developed in selected developments in Ras Al Khaimah. The legislation was preceded by a grant of 4.6 million square metres of strategically located land to RAK Properties public joint stock company to be used in various real estate projects.

Major schemes underway in the emirate include the Mina Al Arab complex which will contain numerous hotels, 25,000 accommodation units, shops and a theme park; Julfar Towers, a residential and commercial development in the centre of the city of Ras Al Khaimah; and Mangrove Islands, a low-rise residential and commercial building development. A community area complete with a golf club, 2000 luxury villas, schools and shopping malls is also being planned for an area on Emirates Road and will be completed in 2009. Another major project under way is Al Hamra Village, an 1800 unit residential complex with a shopping mall and two hotels, one of which will be of seven-star standard. The five-star Al Hamra Fort Hotel and Beach Resort, already established in the area, will be part of the complex, along with the brand new Al Hamra Palace Hotel. There are several other larger and smaller projects in various stages of planning and development.

The main attractions of the real estate market in Ras Al Khaimah include the underdeveloped local market for residential and commercial properties, proximity to Dubai, lower costs of living in Ras Al Khaimah and diversified landscape offering both beautiful beaches and mountainous areas for leisure activities. The attractiveness of investment opportunities in the real estate sectors has prompted many foreign investors to invest in Ras Al Khaimah. Hamburg (Germany) based property investment fund Arabian Opportunities announced recently that it will invest USD 377 million in real estate in Ras Al Khaimah, for example.

Offshore Companies

The Government of Ras Al Khaimah has launched an offshore facility, the second in the UAE, which is expected to attract investors looking for a new tax haven. The International Companies Registry allows foreign investors to register offshore companies in the Ras Al Khaimah Free Trade Zone (RAK FTZ) without the need to establish a physical presence in the UAE. The Ras Al Khaimah offshore scheme provides some distinct advantages like the provision of "bearer shares" under which an entity may decide not to disclose the owners identity. In such cases, the shareholders identity is known only to the appointed agent. However, the government may ask the shareholders identity if required in cases such as bad transactions.