THE REPORT

Ras Al Khaimah 2009

POLITICS
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Sailing ahead

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The economy has continued to see robust growth in 2008, driven by a substantial development programme, an influx of investment and the growing real estate and tourism industries. Incentives are drawing in more foreign investment and a drive to further diversify the economy is ongoing. Capacity is expanding as trade volumes rise, while cement, ceramics and retail all remain key contributors to GDP.

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Steadily going forward

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With GDP growing by 50% over the past four years, the amount of foreign and domestic capital entering the emirate has reached new heights, bolstering the balance sheets of RAK's financial institutions. In addition, there are projections for strong growth in the coming years and measures are being taken to support the sector. Meanwhile, sharia-compliant finance is becoming increasingly popular.

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Regional Editor: Oliver Cornock
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Graphic Assistants: Ahmet Sağır, Cemre Strugo
Illustrations: Shi-Ji Liang
Photography: Narayan Mahon

Production Manager: Selin Bolu

Operations Manager: Yasemin Dirice
Operations Assistant: Esen Ercin

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Ras Al Khaimah

Chairman: Michael Benson-Colpi

Director of Field Operations: Elizabeth Boissevain

Regional Director: Karine Loehman
Country Director: Marjan Okhowat

Field Operations Coordinator: Serpil Yaltalıer

Project Coordinator: Shameena Ashik

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A solid base

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Core industries continue to flourish, while the emirate's location and cost advantages remain a strong draw. The number of firms setting up shop is on the rise, with companies attracted by free trade zones. Meanwhile, the region's construction surge in recent times has been good news for RAK, which accounts for almost half the UAE's cement production capacity.

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Profile

The emirate with a rich history and a varied landscape
Home to the fastest growing free zone in the region
Development programme brings high GDP growth

GOVERMENT OF RAS AL KHAIMAH
SAQR PORT AUTHORITY

The Government of Ras Al Khaimah Saqr Port Authority is ideally situated close to the major shipping lines and the Strait of Hormuz.

Saqr Port is located at Khour Kuwair, Ras Al Khaimah's modern and fast growing industrial complex. Imports of raw materials to support local industry are efficiently handled and the Port also offers a convenient outlet for manufactured materials for the construction industry, which are exported throughout the Middle East.

Saqr Port was built by order of **HIS HIGHNESS SHEIKH SAQR BIN MOHAMMED AL QASSIMI,** SUPREME COUNCIL MEMBER AND RULER OF RAS AL KHAIMAH. Opened in 1977, it maintains the Emirate's historical maritime connections.

Saqr Port offers modern facilities for UAE importers and transhipment traffic to other Gulf countries, India and Pakistan. The country's excellent road network makes overland transhipment throughout the Middle East a realistic possibility for shipping firms and importers. Saqr Port is also the closest port to Bandar Abbas, for transhipment by sea to Iran.

In 2004, KGL PI signed a 21-year concession agreement with the Ras Al Khaimah government to develop and operate Saqr Port Container Terminal. With a total investment exceeding US$50 million, KGL PI is currently modernizing, developing and improving operations at the container terminal with throughput expected to reach 300,000 TEUs per year in its third year of operations. The geographical position makes it an ideal port for transhipment operations.

The Port has a positive approach to transhipment cargo, combining flexible traffic, professional supervision and minimal documentation to assist shipping firms and consignees alike.

Sea/air cargo through Saqr Port to Ras Al Khaimah Airport, or any other airport in the Emirates, will save a minimum of 24 hours compared to using any other port in the UAE.

Long term shortage areas are located close to the berths to minimize handling costs. Large ships can discharge at Saqr Port and cargos can be reduced to conveniently sized shipments for reloading on smaller vessels to serve ports in the Gulf, India and Pakistan, where severe draft and size limitations are imposed. Distribution and packing centers can be set up within the Port for reasonable rates.

Saqr Port has eight deepwater berths, each 200 meters long and dredged to 12.2 meters at mean low water spring tide. Two Ro-Ro ramps are available, plus specialized berths for handling bulk cement and aggregates.

The Port is well equipped to handle all types of cargo with mobile cranes, forklifts, trailer and yard hustling. Bunker supplies of fuel oil, gas oil and blends are available ex-quay at most berths. Vessels bound for the Port should advise agents of their ETA at Saqr Port, giving draft, LOA and full cargo details, at least 48 hours prior to arrival. When in range, vessels should call Saqr Port control on VHF channel 14 or 16 for berthing instructions. Pilotage is compulsory. Pilots board in the vicinity of the Saqr Port approach buoy (R&W Sph. Iso. 6 secs in position lat. 26°00.0' N long. 56°02.0' E; chart BA 3174 refers). A safe pilot ladder must be rigged for the pilot to embark.

Tugs, mooring launches and mooring gangs are available. The harbour and approach channel are dredged to 12.2 meters, although a draft limitation of 12 meters is imposed. Health and immigration officials board the ship after berthing. Shore leave is normally granted to crews, provided passports or seaman's books are deposited at the Saqr Port immigration office.

Government of Ras Al Khaimah Saqr Port Authority,
P.O. Box: 5130 Ras Al Khaimah U.A.E.
Tel No.: +971 7 2668444 - Fax: +971 7 2668533
Control Tower: +971 7 2668051

E-mail: info@saqrport.com
Website: www.saqrport.com

The emirate has great potential in tourism, real estate and industry

A blend of old and new

Benefitting from the diversification and development programme

Nestled between the Hajar mountain range on the east and the Gulf on the west, the emirate of Ras Al Khaimah, which literally means "top of the tent" in Arabic, lies within the northernmost part of the UAE. It boasts a unique terrain that has an exotic feel not found in most Gulf cities.

The emirate is endowed with a diverse landscape consisting of miles of silver, sandy coastline in the west, the desert plains bounded by the Hajar mountains in the east and a green belt in the south with flourishing date palms and vegetable gardens. RAK's strong links with the other emirates through modern highways has fostered a renewed drive for development over the past few years. RAK is now setting its sights on becoming a premier investment destination, capitalising on its potential in the realms of real estate, industry and tourism.

FOUNDATION: RAK has a rich history dating back to the Bronze Age as one of the few places in the world that had been host to continuous settlement and farming since the Ubaid period from approximately 5000-3800 BC. The area later became one of the two hereditary homes of the Qawasim tribe, which still rules the emirate today. Strategically positioned on the old trading routes running from Europe to the Far East, RAK was a stopover point for merchants from as far away as China. The Qawasim dynasty had at various times held land on what are at present the Iranian islands of Kush and Hulaya, as well as in Pakistan and the UAE. At their peak, the Qawasim dominated trade in the lower Gulf, gaining a reputation in commerce and business. After the 14th century, the Qawasim tribes began leaving the islands to settle in the Arabian peninsula.

FORMATION: The British occupied the area for much of the 19th century utilising RAK to control shipping routes to and from India. In 1822 Sheikh Sultan bin Saqr Al Qasimi signed the General Maritime Treaty with Britain, accepting a protectorate that kept the Ottoman Turks out. This has ushered in a period of stability in the area, and the other states, which later adhered to this agreement, became known as the Trucial States. Following British withdrawal from the region between 1968 and 1971, six emirates came together to form the modern-day federation of the UAE in 1971. RAK, the seventh and final emirate joined the federation in February 1972.

GEOGRAPHY & CLIMATE: The UAE occupies some 83,600 sq km on the southern and eastern shores of the Gulf. The country borders Saudi Arabia to the west and south and Oman to the east. RAK is located along the Gulf, near the Strait of Hormuz. It is just 65 km away from the Iranian coast, 250 km from the Oman border, 70 km from Dubai, and close to a number of other Gulf countries. RAK is the fourth-largest emirate, occupying 2478 sq km. Its landscape is quite varied compared to the rest of the country. It boasts some 65 km of coastline along the Gulf and fertile plains, as well as the great Hajar mountains, which reaches heights of up to 1900 metres. Temperatures in the summertime often reach the upper 40s with high humidity. In winter the weather is rather pleasant and remains relatively dry.

POPULATION: According to the Ministry of Economy, the total population of the UAE was 4.5m in 2007. Population growth in the UAE is estimated to be 5.6% per year, while nearly half of all UAE nationals are under the age of 19.

The population in RAK was estimated at 222,000 in 2007, which represents an increase of 3.7% on 2006. The government is predicting that by 2020 its population will reach 750,000 or more. While UAE nationals officially make up less than 20% of the total population in the UAE, RAK has a higher proportion, estimated at about half.

POLITICS: Sheikh Saqr bin Mohammed Al Qasimi is one of the world's longest-serving heads of state, having ruled the emirate since 1948. His son, Sheikh Saud bin Saqr Al Qasimi was appointed Crown Prince and deputy ruler in June 2003. The role of the Crown

RAK aims to strike a balance between developing its economy and maintaining its culture and traditions

Prince is carrying out most of the day-to-day political and economic operations. The emirs of the other emirates form the UAE's Supreme Council, which elects a president every five years. The president of the UAE is Sheikh Khalifa bin Zayed Al Nahyan of Abu Dhabi, who succeeded his father in 2004. His father, Sheikh Zayed bin Sultan Al Nahyan, had been the president of the federation since its inception. There is an understanding in the council that the president will always be from Abu Dhabi due to the emirate's substantial political and economic clout.

The Supreme Council ratifies all the laws in the country, while the Council of Ministers, a 20-member cabinet headed by the prime minister, is the executive branch of the government. The Federal National Council, a 40-member consultative body, represents the interests of each emirate when reviewing proposed laws. In 2005 the government announced a new policy of political liberalisation. At the end of 2006, elections were held for half of the seats in the Federal National Council, while the other half will be appointed by the government. RAK has six representatives in the council.

ECONOMY: The UAE's economy, fuelled by the surging price of oil, has seen unprecedented growth in recent years. Unlike Abu Dhabi, RAK does not have high deposits of oil and gas, although it does produce small amounts of liquefied petroleum gas and condensate. Industry, trade and commerce, tourism and real estate are the four pillars of the economy. Some industries have acquired worldwide reputation such as pharmaceuticals, ceramics, cement and dates industries. Mining and non-metallic products are at the forefront, representing 31.5% of the total licensed industries. The industrial activities are also diversifying due to the increase of investment, representing a total of $1.1bn in 2007.

RAK has capitalised well on its natural resources. It opened the UAE's first cement company in the early 1970s, and it is now the UAE's largest cement producer. The formation of the RAK Investment Authority (RAKIA) in 2005 was one of many steps the emirate has taken to develop industry, trade, commerce, tourism and real estate. RAKIA has registered more than 1000 companies and has successfully attracted over $2bn worth of investments. The companies located in the Industrial Zone, the Free Zone in Al Hamra, as well as the Al Ghail Industrial Park, operate in diverse industries with investors from all points of the globe. RAK is also home to the fastest-growing free zone in the region, the RAK Free Trade Zone Authority (RAK FTZA), home to over 5000 zone-registered companies. Propelled by recent growth, the zone has become one of the largest, most environmentally friendly free zones in the Gulf.

There have also been recent efforts to diversify the emirate's economy. Since Sheikh Saud bin Saqr Al Qasimi became crown prince in 2003, the emirate has embarked on an aggressive development programme, achieving GDP growth of more than 50% over the past four years.

NATURAL RESOURCES: With 9% of the world's oil reserves and 5% of gas reserves, the UAE has one of the highest per capita GDPs in the world. The lion's share of these resources belongs to Abu Dhabi, which controls 95% of the oil and 92% of gas in the UAE. RAK's total gas reserves amount to about 33.96m cu metres, and its total oil reserves are estimated at 400m barrels, or 0.4% of the UAE's total reserves.

RAK boasts the biggest rock quarry in the Gulf though, and it has been blessed with high-quality limestone and clay deposits, which underpin the emirate's successful cement and ceramics industry. The fertile plains in the south-east around Digdaga produce fruits and vegetables, as well as milk and poultry for the local UAE market.

LANGUAGE: The official language of the UAE is Arabic, though English is widely used in business circles. In addition, a significant portion of the expatriate population also speaks Hindi, Urdu, Malayalam, Tamil and other languages of the subcontinent.

The emirate boasts a diverse landscape that contains fertile plains

Politics

The emirate's role as a regional and global mediator
Striking the balance between progress and tradition
The ongoing push for e-government
Bolstering international trade relations a key goal

RAK enjoys a degree of autonomy and has its own local policies

In the middle of it all

The emirate plays a significant role in the political identity of the UAE

RAK plays an important part in politics at the federal level, as it elects six representatives to the UAE's parliament. Three of these are appointed by the ruler, with the remaining three elected by citizens of the emirate.

While the government continued to forge ahead with reforms and investments aimed at boosting economic growth and the welfare of its citizens, 2008 was also a time for reflection for Ras Al Khaimah, as the emirate celebrated the 60th year of His Highness Sheikh Saqr bin Mohammed Al Qasimi's rule. Since ascending to the throne in 1948 at the age of 23, Sheikh Saqr has steered the emirate through a shifting political and economic landscape, leading it towards a prominent position within the UAE and further afield.

The Sheikh is now the second-longest-serving ruler in the world after the king of Thailand. Under his guidance RAK entered the seven-emirate federation of the UAE in 1972 and began the transition from a subsistence economy, centred on fishing and agriculture, to one that attracted the highest capital investment in the industrial sector in the UAE by the year 2000. While Sheikh Saqr's ailing health has resulted in his son, the crown prince and deputy ruler, HH Sheikh Saud bin Saqr Al Qasimi, assuming the day-to-day running of the emirate, political stability has been ensured. Sustained growth and wealth creation has continued over the past five years, with GDP increasing by more than 50% between 2004 and 2007. Although RAK does not have the hydrocarbons abundance of some of its UAE neighbours and in the region, it has established itself as a robust economy with an increasingly diversified base.

FEDERAL PLAYER: RAK plays a substantial role in politics at the federal level. The emirate elects six representatives to the country's parliament, the Federal National Council (FNC), which is the same number as Sharjah, two less than Abu Dhabi and Dubai, and two more than Ajman, Umm Al Quwain and Fujairah. While the ruler appoints three of these representatives, citizens of the emirate elect the remaining three for two-year legislative terms. RAK's electorate showed a strong degree of confidence in the first elections in 2006, with voter turnout standing at 78.98%, just below the national average of 79.5%. The elections were seen as a significant step forward for the country, with 22.4% of the electoral college made up of citizens below 30 years of age and 18% made up of women.

Beyond the parliament RAK is also represented at the national level by its ruler, HH Sheikh Saqr, who sits on the Supreme Council. This role is critical, given the federal responsibilities and powers enshrined in the 1971 constitution. As a consequence of this document, the federal government retains responsibility for foreign affairs, security and defence, public health, education, nationality and immigration, currency and banking. RAK plays a full role in terms of formulating and supporting federal policy in these areas.

POLITICAL VISION: That said, the emirate has a significant degree of autonomy and, consequently, has developed its own local economic policies and initiatives. These have largely been the product of a political vision focused on improving the business environment and attracting investment as a way of creating wealth for all RAK's citizens. The philosophy is based on the creation of efficient regulation and services in a bid to stimulate foreign and domestic investment. According to HH Sheikh Saud, "The role of the government will be primarily to create the optimum environment for enterprise, planning and providing enabling infrastructures, utilities and services, and making sure that the state is an efficient and effective partner, supporting and empowering the private sector."

The emirate is looking to foster increased private sector involvement in job creation and economic growth, and the government has emphasised its commitment to ensuring effective oversight.

This mirrors a trend throughout the UAE, where local governments are looking to scale back the size and scope of the public sector in an effort to stimulate private-sector participation in economic development and job creation. Regulation is a key part of this and many regional governments – including RAK's – have renewed their commitment to putting in place effective oversight. This is not to say, however, that the state is rolling back on capital commitments to infrastructure development and public services.

The e-government programme is an example of public funds being used to create greater efficiency. The government has shown its commitment to creating an

e-society based on accessibility and efficiency. In 2006 the RAK authorities completed a tie up with Abu Dhabi-based telecommunications provider Etisalat to roll out a high-speed data cable network linking nine government departments. Etisalat has also been working on other voice and data services in the emirate. Moreover, Majal was established in 2006 to act as the government-sponsored information and communications technology provider. The company has been working on a range of services and solutions, including a data centre and customer-relationship management.

Such moves should not only bring greater professionalism and efficiency to public services but should also enable the transition of the national workforce from unproductive public service jobs into the private sector. While RAK has a smaller expatriate population than the national average – approximately 50% compared to a UAE figure of around 80% – the emirate is seeking to ensure that its citizens develop the skills required to compete in the global economy. RAK estimates that it will need to import 200,000 foreign workers to build the currently planned development projects in the emirate. While the head of the National Human Resource Development and Employment Authority (Tanmia), Feddah Lootah, has said that one of the reasons these development projects were placed in the northern emirates was to meet the job demands of local Emiratis. However, the whole range of expertise and skill sets needed to complete all the projects is almost certainly not immediately available in the Northern Emirate.

Yet the emirate is still performing well with an overall unemployment rate of 6.5%, significantly below the 13% rate for UAE citizens at the national level. Moreover, with Gulf Talent estimating that UAE wages increased by 13.6% in the year to August 2008, the highest increase in the Gulf Cooperation Council (GCC), the incentives for private sector employment are strong.

FOREIGN AFFAIRS: The emirate has been busy pursuing an ambitious diplomatic agenda in an attempt to raise its profile and further bolster bilateral trade. A RAK trade delegation visited Almaty and Astana in Kazakhstan in April 2008 to look at ways of increasing ➔

The emirate currently has a smaller percentage of expatriates in its population than the national average, although it is estimated that 200,000 additional foreign workers will be required if planned development projects are to be completed.

FUTURE SHOCK

E-government has become a central tenet of RAK's drive for a more efficient, corporate style of governance. However, rolling out e-services is no easy task. The e-government programme, which has been closely monitored under the stewardship of the crown prince and deputy ruler, HH Sheikh Saud bin Saqr Al Qasimi, began in 2004 and continues apace. In terms of both connectivity between government departments and accessibility to the public, RAK is striving for the most user-friendly and efficient systems.

The government appears to have come to terms with the crucial role that IT will play in the 21st-century economy, as described in a document entitled "Towards e-Human", which summarises RAK's plans in this area. Much has already been achieved. Since the government's e-portal, www.rak.ae, was launched in June 2004, there have been approximately 3.6m visitors to the site, with 200 companies registering through the portal. Increasing sophistication and usability has also drawn in new users.

However, the broadband penetration rate in the country as a whole stood at just 5.5% in 2007, with estimates for RAK itself much lower than this. Nevertheless, Kay Olateru, the CEO of Majal, the government's information and communication technology provider, established in 2006, believes much progress has been made. "Part of the vision is to bring the latest technology to RAK," Olateru told OBG. "Before Majal, there was very little IT. We want to streamline everything but this will happen slowly."

Majal is currently working on a contact centre solution, which will provide a call-flow mechanism for the government customer service call centre. This will include a customer relations management system that will allow the call centre to keep a database of customers. This follows Majal's initial project of creating a data centre, which has provided the space and memory to roll out a number of services, including web hosting for the government and government-affiliated companies. Another one of the only players in the technology industry alongside Majal is Falcon Technologies, a manufacturer and supplier of optical-data storage discs. The emirate is also interested in attracting high-tech industries. "Part of RAK Investment Authority's (RAKIA) strategy is to link industry to applied research at the service of investors and create centres of excellence and clusters of industries that will constitute a kind of Silicon Valley for specific niche sectors," said Serge Guillaume, the executive director of RAKIA.

The RAK Centre for Advanced Materials (RAK CAM) is also planning to open an advanced materials research centre to conduct research in areas such as nanomaterials for diverse applications, inorganic and hybrid materials, and materials for environmental remediation and hydrocarbon processing. "Our strategy is to make sure we attract the best people and then build the programmes around their areas of expertise," said Anthony K Cheetham, the chairman of RAK CAM. With the World Economic Forum's "Global Information Technology Report 2007-08" ranking the UAE as the leading country in the Arab world for network readiness, the potential for the RAK government to reach its citizens through IT infrastructure is significant. The emirate is bullish about rolling out further services to achieve the dual purpose of streamlining government departments and offering a more effective interface with local citizens.

There have been approximately 3.6m visitors to the government's e-portal since it was launched in June 2004. E-government is one element of RAK's push to increase IT awareness.

Sheikh Saud bin Saqr Al Qasimi

The right balance

OBG talks to Sheikh Saud bin Saqr Al Qasimi, Crown Prince and Deputy Ruler of RAK

Which regions has RAK identified as the most desirable partners for bilateral relations?

SHEIKH SAUD: In terms of tourism, European, Russian and Central Asian countries will always be the major tourist sources for RAK. In terms of industry, European and Arab countries, as well as India, Pakistan and Iran will continue to be principal business partners. Today, we are looking towards developing relations with countries that are more receptive to inward investment. A good example would be the countries of South America. This is a fast-developing region, and we are looking to attract companies willing to expand their business in the Gulf Cooperation Council (GCC) region by offering them the opportunity to develop their activities with RAK.

With a limited population of around 222,000 people, we would like to develop more capital-intensive and high technology industries. We are willing to collaborate with countries registering high economic growth, such as China, Japan and India, as they are usually synonymous with a higher capacity and willingness to trade and invest.

Being at the crossroads with Europe, Asia and the Middle East, we have to take advantage of our geographic location but also of our historical links with countries such as India. Moreover, Europe and the US are trying to be more competitive, so RAK could be an option for them in terms of developing factories, while also presenting benefits of an advantageous fiscal policy, strategic geographic location, not to mention political stability.

Are you confident that the measures being taken both at the federal level and local level are adequate to meet the current economic challenges?

SHEIKH SAUD: The global recession is affecting every country. I think we need to act not with panic but with rationality to overcome these challenges. Our current model to diversify our economy is mainly based on developing the industrial and tourism sectors, which allow our emirate to adhere to more sustainable economic fundamentals. I believe that the year 2009 will be a good opportunity for us to understand how we can better develop and further diversify our economy. Tourists will always be here, but we have to make sure to adapt our offerings and strategy. Globally tourist numbers will see a decrease in the short term so we need to determine how we can make RAK a first-choice destination. It is our responsibility to understand the needs and desires of tourists and adapt our strategy accordingly.

We use the same line of reasoning for the industrial sector. Despite the economic downturn there are still investors out there looking for good opportunities. Again, our success in attracting more investors will depend on our ability to adapt our offerings and maximise investor incentives. I believe that the current economic situation, while challenging, is an opportunity to strengthen what we have already achieved and to learn from our mistakes as we continue to develop our economy.

How are government bodies and developers cooperating to ensure that necessary infrastructure is in place before developments come on-line?

SHEIKH SAUD: As we want our economy to grow and support the development of the UAE, we are looking to develop feasible and sustainable projects in the emirate. We aim to develop the infrastructure needed to allow projects to run efficiently when they come on-line. Therefore, we are making improvements to transport infrastructure. For instance, we have expanded and upgraded the port facilities that are integral to RAK's trade activities and we are still looking for further expansion projects. Under a federal initiative, a feasibility study is also under way to develop a national UAE railway system for freight and passenger transport. This new transport would be ideal for transporting raw materials, assuring logistics system run more efficiently for the numerous

industrial companies based in RAK and also providing relief for road traffic. With regard to the energy infrastructures, our approach is to minimise the impact of energy shortages on the emirates' economic expansion. To remedy this problem in industrial areas we are building four power plants, two of which will be operational in 2009. Moreover, we have secured several agreements with neighbouring countries to secure our gas supply, and RAK Petroleum's exploration and production of oil and gas is constantly expanding. We are also investing in coal and solar as alternative energy sources. Developing the emirate's infrastructure is definitely a critical factor in securing objectives and future developments.

What initiatives are under way to shield the environment from the negative impacts of developing the industrial and tourism sectors?

SHEIKH SAUD: We actually aim to use tourism projects so that the impact to the environment is minimal. For example, with projects such as Mina Al Arab we are creating a development that will preserve and enhance the environment with habitat conservation characteristics including a natural reserve for turtles. We attempt to create a real partnership between the environment and tourism. Moreover, every project is required to conduct environmental impact studies. In 2007 we set up the Environmental Protection and Development Authority (EPDA), which is the sole independent body in charge of environmental issues in the emirate. Among other tasks, the EPDA ensures that industrial companies are compliant with international norms by investing in the latest technologies available in order to limit environmental impact. One idea for further environmental protection is to promote intelligent and efficient building techniques among real estate developers. We review environmental regulations annually to make them more efficient. Investment numbers are increasing every year, and I think our efforts are producing palpable results.

What are your economic and social aspirations for the emirate in the next five years?

SHEIKH SAUD: RAK has been through a total change in the past five years. My vision for the future is to develop the right balance of economic growth and quality of life. We want to create our own success through a process of sustainable development. The small size of the emirate does not equate to a low level of success and development. We hope to deliver a high level of quality of life through all the real estate projects that are providing vacation places to the business community. We will also continue to create and expand other services such as health and education. We have to produce more schools and universities to allow RAK to become a true participant in the global development of the region.

I want RAK to become a sort of country that generates both wealth and benefit to our people. We are breaking down barriers and evolving the government into a business-oriented entity. We want multiple players, and therefore we are welcoming all interested parties into the emirate. In addition, we are creating innovative vehicles in order to give companies new opportunities to set up shop in the emirate and help them to overcome any challenges. Growth is all around us with numerous successful and expanding companies based in RAK, and I have no doubt that tourists will always return to our country.

RAK is a multicultural location where the best we can offer is our natural environment and culture. I would like to see that people from different nationalities find RAK to be a nice place to visit as well as live. I do not see any conflict between opening our economy and respecting our culture. I am not afraid of losing our distinct sense of history and tradition, as I do not believe that we should be a prisoner of our past. The more we interact with the outside world, the more we will learn. In the current challenging global environment, we need to make sure that we stay on the right path for sustainable development.

As a key member of the seven-emirate UAE, RAK has a major role to play in international mediation

➔ bilateral relations on the back of three memoranda of understanding (MoU) signed between Kazakhstan and the UAE in February 2008 in the fields of energy, petrochemicals, mining and manufacturing. This was followed in May by a return visit from a Kazakhstani delegation to view the facilities and opportunities at RAK Free Trade Zone Authority (RAK FTZA).

The government has also been building on more traditional ties, with significant economic activity between the emirate and India carried out in 2008. As of May 2008 RAK FTZA had registered 681 Indian companies, while the RAK Investment Authority (RAKIA) had 300 Indian companies operating under its auspices. Indian companies play a vital role in the emirate's economy – the RAK Chamber of Commerce recently recorded 1227 Indian companies active locally. The two economies have also been involved in a number of significant developments and infrastructural projects in recent years. Bharat Heavy Electricals Limited (BHEL), India's largest power project exporter, won the contract for two 42-MW gas turbine generating units for RAK's Al Ghail power plant. The deal is estimated to be worth $31m. RAK has also penetrated the Indian market. In October 2008 RAKIA signed an MoU with the Andhra Pradesh Industrial Infrastructure Corporation (APIIC) to establish the Hyderabad Economic City. The project will act as an integrated financial hub and health care city with a full range of services developed by RAKIA and its real estate development arm, Rakeen.

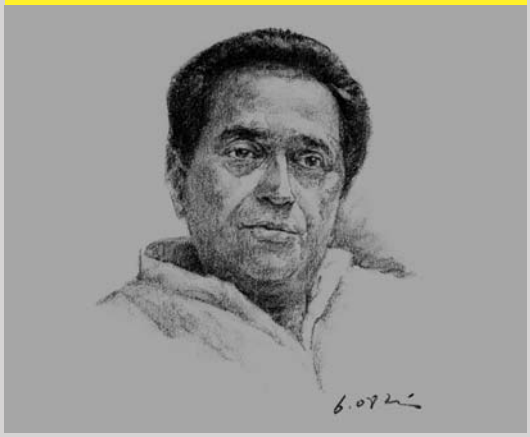
TRADE STRATEGY: These government-backed business and capital transactions are supplemented by a considered trade strategy. RAK has been working with the federal authorities to improve trading regulations in anticipation of heightened activity in this area. In October 2008 the UAE Ministry of Economy and the RAK Economic Development Department signed an MoU for cooperation in trade protection and the planning, development, and unification of procedures related to trade control. Mohammed Ahmed bin Abdulaziz Alshihhi, the undersecretary of the Ministry of Economy, said the MoU was important because it "establishes an institutional framework consistent with the UAE's international obligations and RAK's direction in developing its investment environment and related laws and regulations". The agreement will see a standardisation of procedure in matters such as fraud, commercial agency laws, trademarks, copyright and associated rights, industrial patents and the trading of precious stones.

This agreement should increase incentives for investment in the emirate and promote responsible trade as RAK looks to bolster its international trading relations. In September 2007 the GCC began to look at proposals from Iran for a free trade zone between the two markets. "As long as there is a desire from the Iranian side then the GCC cannot be anything but open to dialogue," said the GCC's Secretary-General, Abdul-Rahman Al Attiya. With its prominent position directly across the Strait of Hormuz from Iran, RAK is well placed to improve trading relations with Iran. RAK FTZA has been keen to promote itself as a good base for export to the Iranian market, among other nearby economies. However, several obstacles remain for a full-fledged partnership with Iran. With the US putting pressure on all its allies to rein in trade and cut ties with Tehran in line with its sanctions regime, the issue is politically charged.

MEDIATION: The UAE has a history of mediation and bridging the divide between conflicting interests. The country is therefore well placed to adopt a similar role between the US and Iran, and the federal government is already offering conciliatory measures to Tehran. However, the government has also taken precautionary measures to ensure its security. In September 2008 it was announced that the US was preparing to sell the UAE a $7bn missile defence system. This is the first time the US has sold this specific defence technology, and deployment is expected in 2009. RAK plays a key role in the country's defence strategy and also in its diplomatic efforts. The dispute between RAK and Iran over the Islands of Greater and Lesser Tunb and Abu Musa rolls on. The dispute is an emotive issue for the emirate, given the fact that the RAK flag has been hoisted over Greater and Lesser Tunb from the beginning of the 20th century. The emirate now supports the federal line, which involves setting up a committee for the issue and seeking redress through the UN.

OUTLOOK: RAK is taking on an ever-growing prominence at home and abroad as its economy continues to grow. The political philosophy espoused by HH Sheikh Saud is helping to prepare the population for the demands of the 21st century, while preserving local traditions. The emirate is well placed to absorb ambitious development plans without ruffling any social or political feathers, especially given the strong representation of nationals among the local workforce. However, as is the case throughout the federation, the government is looking to ensure that the drive for more efficient governance is paralleled by an inclusive strategy for Emirati job creation. RAK also plays an active role in the country's defence and diplomatic strategy, and is well placed to adapt to any new conditions, making the emirate's immediate future appear very promising.

An October 2008 MoU on trade should help increase investment in RAK, while proposals for the formation of a free trade zone between the GCC and Iran are being considered.



Kamal Nath

Working together

OBG talks to Kamal Nath, Indian Minister of Commerce and Industry

What further cooperation could come from the strong trade ties between the UAE and India?

NATH: The UAE is India's leading trading partner in the West Asia and North Africa region, representing 75% of India's exports to the Gulf Cooperation Council (GCC) countries. The new initiative for cooperation is based on industrial presence and logistics. The Ministry of Commerce and Industry has been contributing to the industrial diversification of the UAE. The development of an exclusively Indian industrial zone in Abu Dhabi is also now being planned. Indian businesses are considering using the UAE for the redistribution of their products to the region. India is actively participating in the Railway Development Plan, which is expected to connect the UAE with Qatar and Saudi Arabia.

India aspires to establish a strong presence in the UAE for purposes of competition. The Indian government is also interested in developing suitable human resource development projects to help share Indian experience and expertise, and to cater to the needs of the UAE. We are also identifying projects for cooperation in health care, defence, shipbuilding and are in the process of establishing an India Trade Centre.

To what extent are Indian businesses looking at expanding relations with RAK?

NATH: By March 2008 30% of the $2bn of foreign direct investment in RAK had come from Indian companies in various manufacturing sectors, according to its investments authority. Since RAK Investment Authority offers some very attractive incentives for investors, Indian companies such as Ashok Leyland, Dabur and JBF have set up factories in the UAE. Bharati Vidyapeeth University, one of the leading higher education providers in India, will be establishing a campus in RAK in early 2009, making a huge difference to the emirate's education sector. The Andhra Pradesh government has signed a memorandum of understanding (MoU) with RAK to develop Hyderabad Economic City. The integrated financial centre will be established at a cost of around $5bn.

What more can be done at the government or legislative level to encourage stronger bilateral trade?

NATH: To improve trade relations both our governments are focusing on providing a level playing field for Indian industry. Negotiations over a free trade agreement are now in progress between India and the GCC.

What do you think is the most important current trend in industrial cooperation?

NATH: The most significant trend in terms of industrial cooperation includes tie-ups in infrastructure, power, mining and minerals. Energy-intensive industries, such as hydrocarbons and petrochemicals, are other major areas of cooperation. IT education and training, human resource development and health care are other important sectors of cooperation.

What improvements have been made to protect the rights of Indian workers in the UAE?

NATH: There are around 1.5m expatriate Indian workers in the UAE and a large number of them are employed as contract labourers in the country's construction sector. India and the UAE will set up a grievance-redressing mechanism soon to solve labour-related issues. The mechanism comprises officials of the Indian mission in Abu Dhabi and the UAE labour ministry. The Indian Ministry for Overseas Affairs and the UAE Ministry for Labour have reviewed various aspects of recruitment and contracting and discussed ways in which the present system could be improved for the benefit of workers. The UAE has also reiterated its commitment to improving the living and working conditions of expatriate workers in the country. The MoU regulating the entry of Indian labour specifies direct cooperation in eliminating the obstacles and problems caused by recruitment agencies. Indian workers in the UAE constitute more than 50% of the foreign workforce. The pact is valid for the next four years and will encourage the recruitment of workers, as well as aid the sharing of information, while also protecting workers' rights.

Denise Lievesley

The politics of proof

Denise Lievesley, President, International Statistical Institute, on evidence-based policies

The formulation of policy is a critical part of the process by which the government translates its political vision into actions and changes, and use of evidence is an essential part of this. Evidence-based policies are fundamental to good governance, the delivery of public services and decision-making in all sectors of society. Sound statistical data is essential to manage development and to determine and implement a policy strategy which reflects the society's needs. Better statistics mean better decisions and better outcomes.

During the data collection process, we try to obtain information that allows us to compare one country with a variety of others – we can learn not only from similar countries but also from those which are different. Ras Al Khaimah could learn from the other six emirates but also from other very different countries. For example, South Korea has made impressive improvements in its education system. How is it that South Korea progressed from a developing country in terms of education in the 1960s to become one of today's world leaders? During discussions with Sheikh Saud bin Saqr Al Qasimi about his interest in the emirate's education system, he asked for solid evidence to compare performances of different education systems and to learn from successful experiences elsewhere.

The use of information as the basis for developing sound policies is important, but information is also critically important as a tool to empower the local population. Change is so rapid in this part of the world that local people have to be engaged in the process by being enabled and supported in questioning and challenging the changes. Community empowerment is vital in helping people to understand the context of political information, for we cannot use information without an awareness of its relevance and its limitations.

We must avoid the distorting effect of looking at only one indicator at a time without considering the whole picture. Otherwise, we risk hitting the target for one indicator while missing our overall objectives. So we need to get clever at determining clear outcomes for our policies and who is measuring them . It is sometimes tempting to rely on governments and major businesses to provide this information whereas there ought to be a broader involvement of groups, including non-governmental organisations and small businesses at the local level, in determining these results.

The main constraint to implementing an evidence-based policy is availability of resources. The collection and use of information are resource- and time-consuming and require local expertise, so there must be a commitment to collect sound data and to design good data collection instruments. We often need to make decisions quickly, but shortening the process might lead to a focus on the wrong people and result in biased information. Resolving this tension between the quality of information and its timeliness is a tough balancing act.

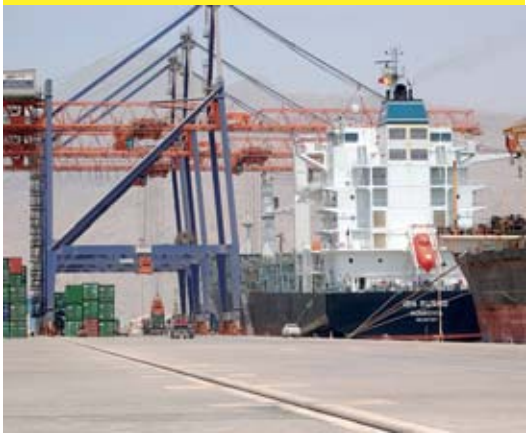
Another important challenge is how to strike the right balance between policy relevance and political independence. There must be strong engagement and involvement from senior government levels to drive and lead policy, together with guarantees of openness about the results. The data produced must be independent to ensure that, even if the result is uncomfortable for the government, the information is accepted and used. We have to know about the country's strengths and weaknesses if we are to design effective policies.

We cannot have policy relevance without political independence and vice versa. Data cannot be policy-relevant if it is politically manipulated or if it is used to distort policies. On the other hand, there is absolutely no point in having political independence of data if it does not feed any relevant policy process.

The fact that the international conference on the impact of information and integrated statistical systems on socio-economic development was held in Ras Al Khaimah in November 2008, and the extent of the Crown Prince's interest in the conference, demonstrate the increasing openness of the emirate. Both a flexible system and passionate leadership are prerequisites for the development of evidence-based policies.

Economy

Incentives drawing in further foreign investment
The emirate's free trade zones increasing in popularity
Expanding capacity as trade volumes rise
Key strengths in tourism, cement, ceramics and retail



Since 2003 RAK has posted a 50%-plus CAGR in operational surpluses

Sailing ahead

Diversification continues with greater investment incentives

The favourable investment environment has attracted investors from across the globe to the emirate, and the number of businesses in the private sector has grown from 17,840 in 2007 to 19,683 in 2008.

Ras Al Khaimah's economy has continued to see robust expansion spearheaded by a substantial development programme, an influx of investment and the growing real estate and tourism industries.

RAPID GROWTH: The road to the emirate's development was given a major boost in 2003 when Sheikh Saud bin Saqr Al Qasimi became the Crown Prince and Deputy Ruler of RAK, as he has been central to the development of a business-friendly environment and in turning RAK into a regional centre for investment, industry, trade and tourism. Since 2003 RAK has posted a cumulative average growth rate (CAGR) of over 50% in operational surpluses.

Given the emirate's limited hydrocarbons deposits, the government has been moving aggressively in its bid to diversify the economy. A major initiative towards this end has been the creation of the RAK Free Trade Zone Authority (RAK FTZA), RAK Investment Authority (RAKIA) and the Investment and Development Office (IDO), which in effect is a one-stop shop that identifies new investment opportunities and facilitates the process of investing. The IDO focuses almost 90% of investments on the financial sector, but also handles interests in health and education.

SUCCESS OF THE FREE ZONE: At present, the RAK FTZA is one of the fastest growing trade zones in the region, registering 5476 companies by the end of 2008. RAKIA has also enjoyed its share of success, seeing revenues of Dh118m ($32.1m) in 2007, a 311% increase on 2006, according to a company statement. By October 2008 RAKIA had more than 1600 companies in its portfolio and had amassed over $2bn in industrial investments.

The authority has also established RAK Offshore, which by end-2008 had some 1900 international business companies that were primarily involved in real estate and property investments.

The government has made concerted efforts to diversify RAK's economy by establishing the emirate as a regional centre of trade, industry and tourism.

The RAK Chamber of Commerce & Industry meanwhile is working hard to strengthen relations with investors from various countries. The number of the chamber's associates increased by 10.33% in 2008 compared to 2007. According to the chamber, the number of companies operating in the private sector in the emirate grew from 17,840 in 2007 to 19,683 in 2008. The chamber also recorded a total of 3457 new licences for commercial, industrial and professional activities during 2008. The biggest share was taken by the repair services and trading industries with 7916 establishments, or 40.3% of the total, followed by the construction sector with 3940 and the manufacturing sector with 2699.

In addition, a wave of service companies in areas such as cargo, insurance and law consultancy have been establishing themselves in the free trade zones.

MORE INVESTMENT: The favourable investment climate has not gone unnoticed by international credit rating agencies such as Fitch Ratings, which has designated RAK an A "investment grade".

Investments are pouring into social development, and education and health have served as bulwarks to RAK's growth as scores of big-name universities have arrived, such as the UK-based Bolton University, along with many private and public hospitals.

However, 2009 will prove pivotal in determining how the emirate will weather the international economic downturn. Sheikh Faisal bin Saqr Al Qasimi, the chairman of the RAK Finance Department, is confident that the emirate will be fine and may even benefit. He told OBG that all of RAK's institutions are cash positive, "representing a great opportunity for us to invest locally and overseas. This will give us the chance to progress when others might go back." He also said the government will maintain and increase liquidity in the market and encourage banks to lend.

Meanwhile, one area of improvement in recent years is the quality and reliability of reported economic data. Government officials have said that there have been considerable efforts to release "comprehensive and accurate statistics on the emirate's economy to enable investors and other stakeholders to

make informed decisions". Each emirate has its own national account, whereas previously they had been relying on figures from the Ministry of Economy, which had proved unreliable. The Economic Development Department (EDD) has been instrumental in improving data and information management processes and covering the shortfall in statistical data. It now publishes an annual statistics book following international standards. The department is also setting up a statistics bureau that should be operational within two years. "The figures we release are important for investors so our priority is to be transparent and accurate," Hassan Hamdam Al Alkim, the general director of EDD, told OBG.

NUMBER CRUNCHING: RAK's GDP reached Dh11.97bn ($3.26bn) in 2007, according to estimated figures released by the EDD, compared to Dh10.5bn ($2.8bn) in 2006, a 13% increase. Crown Prince Sheikh Saud has said that no slowdown is expected, telling the local press that the economy is on track to grow between 15% and 18% in 2008, noting that tourism, industry and services will remain at the core of the emirate's economic development strategy.

RAK has seen an impressive rate of economic growth in the past few years, which has been all the more notable given the fact that RAK has minimal hydrocarbons reserves, which contribute an average of around 3% of GDP. RAK's GDP expanded by 18.1% in 2005 to Dh9.25bn ($2.5bn), comprising 1.9% of UAE GDP that year, as a business-friendly environment and previously untapped markets generated a spree of inward investment. In general, almost all of the emirate's sectors either grew or held steady in 2007, according to statistics from the EDD.

Wholesale and retail trade continued to be the main component of the emirate's GDP in 2007, contributing 14.5% of the total, reflecting a growing population and greater levels of disposable income. This was followed by government services, which accounted for 13.5% of GDP in 2007, the same level that was recorded in 2006 and slightly down from 13.6% in 2005. The sizeable contribution of government services to the emirate's GDP is mostly due to RAK's large mineral reserves, which are largely state-owned, including iron, copper and chromium. RAK also has abundant reserves of limestone and some 70-90% of the rock used in the Gulf region comes from RAK. The sector also encompasses a host of manufacturing industries in the emirate.

The main sources of budget revenue for the emirate are government investments in banks and factories, among others, followed by Customs and free trade zone fees, and lastly by government companies, such as the investment authority.

Agriculture is also a big contributor to RAK's economy as the emirate has large swathes of fertile land, kilometres of shoreline for fishing and abundant groundwater resources. The sector accounted for 8.7% of GDP in 2007. However, the production of vegetables, fruits and other field crops fell by 11.7% in 2007 on the previous year. Agriculture in RAK depends mainly on groundwater for irrigation, which has led to the construction of a raft of dams throughout the Northern Emirates.

Retail and wholesale contributed 14.5% to RAK's GDP in 2007, showing growing levels of disposable income

Manufacturing, meanwhile, saw a slight increase on 2006, rising from 8.6% to 8.8% in 2007. The financial sector followed, contributing 7.2% of GDP, with the number of national bank branches increasing from 24 in 2006 to 29 the following year.

Looking elsewhere, in a bid to further the emirate's aim of economic diversification, government officials have made a concentrated effort to bolster the real estate and tourism industries.

NEW DRIVERS: The real estate sector has witnessed a tremendous surge in growth over the past several years, taking in more than Dh35bn ($9.5bn) in investments. Construction, real estate and business services together accounted for 19% of GDP in 2007, compared to 18.3% in 2006 by dint of large-scale infrastructure projects and other mixed-use projects now under way. The sector has also received a boost from the RAK government's plan to develop and upgrade the tourism and industry sectors. The demand for residential units has also played a strong role. The total number of building permits issued by the RAK municipality amounted to 3609 in 2007 compared with 2839 in 2005 and 3135 in 2006.

Construction and building made up 7.8% of the gross capital formation compared with 6.7% in 2006, while real estate and business services represented 24.2% of aggregate gross capital formation, down slightly from 26.3% in 2006 but still the highest by far compared to any other sector. Both sectors are expected to remain buoyant as the emirate's two major developers, RAK Properties and Rakeen, have a slate of massive projects either under way or in the planning phases. RAK Properties is the lead developer of Julfar Towers, a pair of 45-storey buildings with retail shops that are set to open by June 2009. It is also developing Mina Al Arab at a total cost of $2.3bn, making it one of the biggest projects in RAK.

RAK's GDP totalled $3.26bn in 2007, a 13% increase from the year before. The construction, real estate and business services sectors contributed a large share of this, at 19%.

The real estate sector has recently expanded rapidly, attracting more than $9.5bn in investment. The sector has been given a boost by plans to expand both tourism and industry.

The real estate sector has recently seen a surge in activity

RAK is the largest cement producer in the UAE, and although the industrial base is fairly small, industry remains the foundation of the economy. So far, RAK has attracted around $2.5bn in investments for the sector.

The project is spread over an area of 2.8m sq metres and will include some 3500 residential units, as well as resort hotels and leisure facilities.

RAK Properties' outlook has been positive, as the developer recorded a net profit of Dh225m ($61m) for the first half of 2008. The company also sold residential and commercial units worth Dh1.1bn ($301m) in the first half, an increase of 115.6% over the same period in 2007. Rakeen, meanwhile, is managing large-scale projects such as Al Marjan Island, Gateway City and the Financial City, which will consist of 12 towers ranging from 25 to 65 floors.

Rising real estate prices coupled with growing demand have also driven up inflation. Official inflation is recorded at approximately 13% but unofficial inflation, sources say, has reached as high as 24%. There have also been some signs that the international downturn has started to bite as a few projects have been delayed. However, it is hoped that the real estate sector in RAK will not experience a sharp downturn, and it is expected that the growing tourism industry will also help buoy up the sector.

PUSH FOR TOURISM: Although restaurants and hotels come last with 2.1% of GDP, the sector's CAGR rate is more than 16% and its importance has been growing due to the government's efforts to promote the tourism industry. Indeed, there are a number of avenues for investments in tourism and hospitality, as the projected number of tourist arrivals is set to reach 2.5m in line with hotel development, compared to a current 500,000. In the meantime there has been an almost 40% increase in tourist arrivals in the past couple of years. This has caused hotel occupancy rates to rise, at times topping 90%.

In light of the squeeze on current facilities there are around 20 hotels planned with a capacity of 120,000 beds over the next five to 10 years. The government is also hammering out a tourism master plan and private developers are being encouraged to make investments in the sector.

Although the emirate has made a concentrated effort to bolster its real estate and tourism segments, industry remains a cornerstone of the local economy and will be a substantial driver of growth in the years to come. The emirate has already attracted some Dh9.1bn ($2.5bn) in investments for its industrial sector, and this figure is only set to rise.

A SOLID BASE: Although RAK's industrial base is relatively small, the emirate has vast experience, possessing the oldest cement factory in the UAE, which opened in the late 1960s. Indeed, RAK is the largest cement producer within the country and its plants produce all the major types of cement, such as ordinary Portland cement, sulphate-resistant cement, moderate sulphate-resistant cement, high sulphate-resistant cement and oil-well cement. In addition, RAK has the only white cement factory in the whole of the UAE, the RAK White Cement Company, and hosts four Portland cement companies: Gulf Cement Company, RAK Cement Company, Union Cement Company and Pioneer Cement Industries.

Meanwhile, STAR Cement, an associate company of ETA-ASCON, has plans to build a greenfield cement plant with a capacity of 5500 tonnes per day (tpd). A plant official said that the capacity would meet 18% of the demand for cement in the UAE.

The factories have all been built close to the Mina Saqr Port or near vast reserves of limestone, used for clinker. Owing to strong demand clinker has been a major import for the cement factories. According to the Saqr Port's records, the amount of clinker coming in increased from 2.6m tonnes in 2007 to 2.9m by October 2008 – a gross increase of 11%.

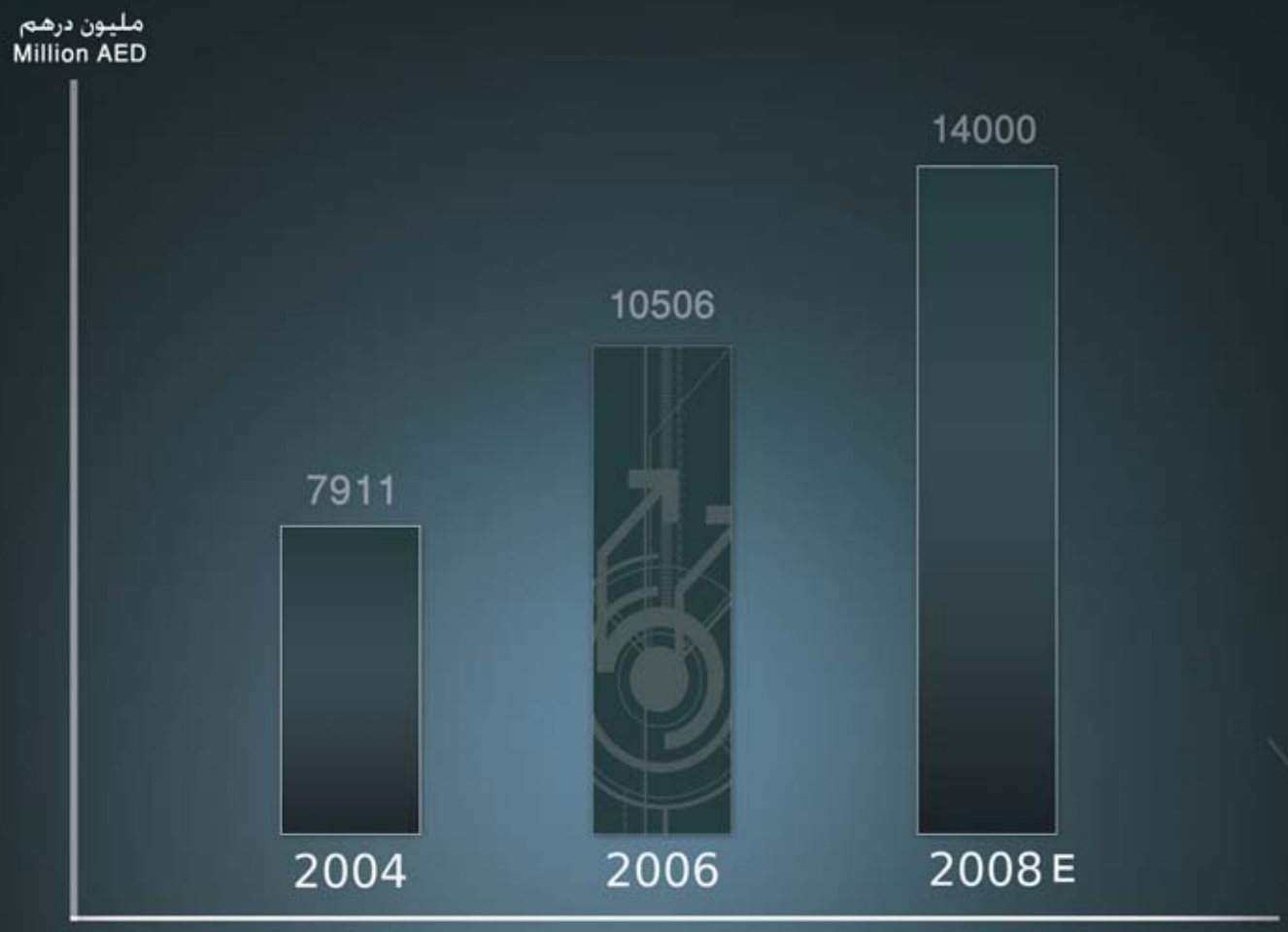
Burgeoning construction activity throughout the UAE and the region has prompted RAK manufacturers to expand output capacity. Union Cement Company has commissioned a 10,000-tpd clinker kiln that will increase its annual capacity from 1.2m tonnes to around 4.2m tonnes. The plant's expansion was carried out at a cost of Dh1bn ($272.3m), turning it into the biggest cement producer in the country.

Likewise, Gulf Cement Company installed a second production line that has upped its yearly clinker production capacity from 1.3m tonnes to 3.8m tonnes. The company has also distributed more than Dh100m ($27.23m) to environmental protection projects. The latest addition, Pioneer Cement Industries, fired up its production lines in 2006. Its annual production runs between 1.3m and 1.8m tonnes of cement and 1.2m tonnes of clinker. Ram Mohan, the CEO, told OBG

Gross fixed capital formation by sector, 2005-07 (Dh m)

	2005	2006	2007
Manufacturing	330	390	450
Construction & building	110	200	284
Wholesale, retail trade & repair services	125	178	205
Restaurants & hotels	65	77	112
Transport & communications	342	387	455
Real estate & business services	695	790	875

SOURCE: Department of Economic Development



الناتج المحلي الإجمالي بقيمة تكلفة عوامل الإنتاج (بالأسعار الجارية)

GDP at Factor Cost (Current Prices)

2004-2008

$ 1 = AED 3.67

www.economic.rak.ae

دولة الإمارات العربية المتحدة – حكومة رأس الخيمة – دائرة التنمية الاقتصادية

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that the plant is at full capacity and is a leading producer of clinker and cement in the country.

However, as cement producers in the UAE have grown ever more numerous – there are already five in RAK with another set to come on stream in 2009 – the UAE market is not expected be able to absorb all the production, especially in light of the economic downturn. Mohan said that Pioneer is currently looking to export some of its output to countries such as Russia, which will need a lot of infrastructure work ahead of the 2014 Winter Olympics. Under the partnership with RAKIA, Pioneer is also planning to open various industrial ventures in Georgia and India.

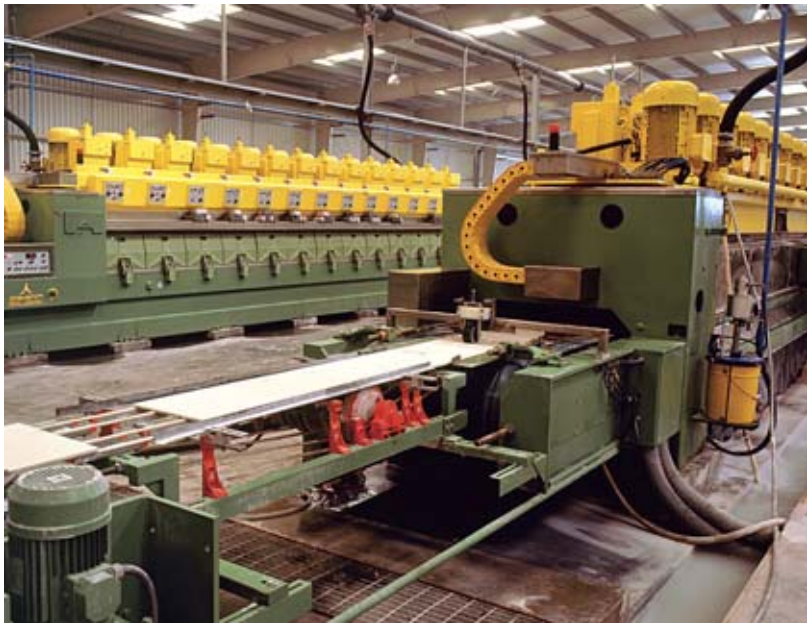
CHALLENGES: Cement factories have also had to cope with a shortfall in the local power supply, which has exerted pressure on profit margins. Plants have started to use coal-fired units owing to a lack of electricity and high diesel costs, causing a jump in coal imports. There are also concerns of a slowdown of construction activity in the face of a global recession. There were already some signs of a softening of demand for cement and clinker at the end of 2008 due to the international situation and some construction projects have been delayed.

Besides cement, RAK also has a substantial ceramics industry, with RAK Ceramics being one of the world's largest manufacturers of ceramic tiles and sanitaryware products, churning out 200,000 sq metres of ceramic or gres porcellanato tiles per day. It exports 85% of its annual output of 70m sq metres to some 135 countries. The company had announced a net profit of Dh169.7m ($46.2m) in 2007, up around 10% from Dh153.7m ($41.8m) the previous year.

According to a statement from the company, the manufacturer has made hefty investments in a total of 32 joint ventures and projects, including 12 operating joint ventures, 11 ceramic distribution firms and nine other new joint ventures. Overall investments in these ventures stood at Dh133.1m ($36.2m) by the start of 2008, the company said. It is also looking to make inroads overseas, with a strong focus on India and Pakistan via a third factory in India.

MANUFACTURING BASE: Looking beyond its cement and ceramic industries, authorities have been working hard to leverage the emirate's available mineral resources and its advantageous geographical position. RAK has also set up free trade zones that have been a boon for the light industries. The emirate has attracted a clutch of manufacturing companies in its two free trade zones, as well as outside the zones. According to the RAK Chamber of Commerce & Industry, the total number of manufacturing companies registered in 2008 stood at 2699 against 2262 in 2007, accounting for some 13.5% of all establishments registered in the emirate.

RAK's inward investment has become more diversified, and it is now attracting supply equipment companies, in addition to companies involved in steel manufacturing, fabrication as well as automotive parts. Casting companies and hair oil and shampoo producers are also arriving on top of electronic component makers, chemical manufacturers and big-name international companies such as Becker Paints.



RAK's ceramics industry produces 200,000 sq metres of ceramic and gres porcellanato tiles per day

As a result of thriving demand for cement in the region, RAK-based cement producers have expanded their output capacity, some of which is now exported to countries such as Russia.

Glass production is also a major driver behind the emirate's manufacturing sector. Guardian, a US-based multinational that is one of the world's biggest manufacturers of float glass and fabricated glass products, has set up a plant that produces around 700 tonnes of glass per day for the automotive and construction industries as part of an initial investment of $115m. The facility encompasses some 300,000 sq metres in the free trade zone.

Officials hope that the rapid growth of the emirate's manufacturing base will in turn also mean more diversified exports and greater trade volumes.

FAIR TRADE: Non-oil trade forms a large component of RAK's economy. The volume of foreign trade increased to Dh11.1bn ($3bn) in 2007 compared to Dh10.4bn ($2.8bn) in 2006 – a 6.6% increase, according to numbers provided by the Department of Customs and Ports. The emirate registered a trade deficit in 2007 mostly owing to an expanding real estate and construction business, which has consumed vast amounts of construction materials, as well as more disposable income and an increasing influx of expatriates, who have driven up demand for new cars.

Total imports reached Dh6.3bn ($1.7bn) during 2007, compared to Dh4.2bn ($1.1bn) in 2006, an annual increase of 47%. Exports in the meantime fell to Dh2.2bn ($600m) in 2007 from Dh4.3bn ($1.2bn) during the previous year. Re-exports increased slightly to Dh2.47bn ($672m) in 2007, compared with Dh2.45bn ($667m) in 2006, and mostly consisted of products for the chemical or related industries. Ukraine was the top recipient of the emirate's re-exports, soaking up 43.8% of the total, or Dh1bn ($272.3m), followed by Oman with Dh532m ($144.8m) and India with Dh182m ($49m).

Imports have come mainly from Asian countries, together accounting for 63.1% of the total, with Japan in the lead with Dh1.3bn ($354m) worth of

In addition to cement, RAK has a sizeable ceramics industry and also produces a large amount of glass products. It is hoped that this strong manufacturing base will result in an expansion in exports.

Construction and real estate are major contributors to RAK's GDP

The Gulf Cooperation Council is the main destination for RAK's exports, accounting for 96.7% of total trade. Asian countries come second at 2.7%, followed by Arab countries with 0.52%.

goods, followed by Indonesia at Dh845m ($230m) and China at Dh598m ($163m).

A JUMP IN IMPORTS: Imports only started to flow in large volumes into RAK in 2004, rising to Dh5.7bn ($1.5bn), compared to Dh1.1bn ($300m) the previous year – a fourfold increase. Imports sourced from Asian countries surged in 2004 to a 94% share compared with 78% in 2003, causing what had been a trade surplus to dip into the red. The imports of vehicles played a large part in the increase, rising to Dh884m ($240m) in value as compared to Dh96m ($26m) in 2003. Car imports in 2007 continued to rise, hitting Dh498m ($135m) owing to a growing expat community, as well as more disposable income.

Since 2004, however, Asia's share in RAK's imports has declined, falling from 94% in 2004 to 71.3% in 2005, 55.7% in 2006 and 63.1% in 2007. For 2007 Europe came in second in terms of imports, at 23%, followed by the US at 6.6%, Gulf Cooperation Council (GCC) member states with 5.1% and African countries with 1.9%. Mineral products are now RAK's biggest imports, with a value of Dh2.1bn ($572m) in 2007 compared to Dh1.6bn ($436m) in 2006, according to the Department of Customs and Ports.

The imports of products for the chemical and allied industries have also grown substantially in value, rising from Dh158m ($43m) in 2006 to Dh811m ($220m) in 2007, the department reported. The growth in the manufacturing sector has also spurred a steep rise in the imports of plastics, rubber and related articles, growing in value to Dh369m ($100m) in 2007 from Dh2m ($544,600) in 2006. In terms of volume, the increase is just as impressive, with tonnage growing from 350,000 in 2006 to 63.7m in 2007.

GCC countries are currently the main destination for exports, accounting for some 96.7% of all trade. Asian countries attract 2.7% of the emirate's exports, followed by other Arab countries with 0.52%. In 2004 the GCC countries had attracted 49% of RAK's exports, while Asian and European countries took up 28% and 22%, respectively, though their share has steadily fallen over the following years.

The emirate's main export commodity is mineral products. Stone, mica, cement products and glass make up the second-biggest export category, which recovered from a low of Dh16m ($4.3m) in 2006 to reach Dh308m ($83.8m) in 2007. The emirate's surging real estate market coupled with a shortage of building materials had prompted the government to ban cement exports in 2004, causing a sharp fall in exports of stone, mica, cement products and glass.

OUTLOOK: As RAK does not have the vast hydrocarbons reserves of some of its neighbours in the Gulf, the vision for the emirate's development has instead been of a diversified industrial base so that if one sector falters, others will be there to back up the economy and keep growth moving forward.

The emirate does have considerable mineral resources, however, and these have made it globally competitive in some manufacturing industries. In addition, the manufacturing sector has been an important driver of the emirate's GDP growth in recent years, which has been helped along by functional, well-run free trade zones, although the sector has also expanded outside the zones as well.

Furthermore, RAK has untapped potential to become a major tourist destination in the region. The government has also taken strides in putting in place infrastructure favourable to free trade and enterprise. The emirate's regulatory and legal systems also provide attractive incentives for investors.

Still, the limited size of the emirate is likely to become an issue in the medium to long term and once major projects are completed, land availability will become a greater concern. The limited supply of oil, gas and electricity is another issue that needs to be tackled, since the growing number of investors and tourists mean the emirate will have to supply sufficient energy to power all the industrial enterprises and hotel developments in the works. The government seems to have this in hand, however, and the power shortage is expected to be solved by 2011.

In the meantime, investment fields that will be open include manufacturing for small and medium-sized enterprises in the free zones, logistics and warehousing, according to the RAK Chamber of Commerce & Industry. Under the supervision of Crown Prince Sheikh Saud, RAK looks set to become an increasingly attractive business location. The growth of certain key industries means that the industrial base is set to broaden and expand, attracting more investment from both within and beyond the UAE.

Export value by region, 2004-07 (%)

	2004	2005	2006	2007
GCC	48.9	77	98	96
Other Arab	0.8	3.2	0	0.52
Asia	28	3.8	1.5	2.7
Europe	22	12.8	0.2	0

SOURCE: Department of Customs and Ports

Sheikh Faisal bin Saqr Al Qasimi

Fully comprehensive

OBG talks to Sheikh Faisal bin Saqr Al Qasimi, Chairman, RAK Finance Department

RAK has made changes to increase its attractiveness to investment. What more should be done?

SHEIKH FAISAL: I think RAK has the ability to brand itself internationally. It has the facilities and the business environment, and it is a safe place to live and do business. Year 2009 is important for RAK as I believe we will benefit from the worldwide crisis. Indeed, all our institutions are cash-positive, representing a great opportunity for us to invest locally and overseas. This will give us the chance to progress when others might go back. Our goal is to be one of the most attractive investment propositions in the entire region. We are trying to encourage investments that will further improve living and business standards. We will try to maintain and increase liquidity in the market, and encourage banks to lend money. Even with the world crisis, the tourism sector has not registered any downturn so far and we are even showing a double-digit increase of visitors in 2007 and 2008. Looking forward, RAK should concentrate even more on tourism that represents a critical sector for our economy development. Tourism by itself will also improve the service industry. The retail sector will be another important segment of the economy, with four shopping malls to be open in 2009. We also have to invest more in added-value industries as well as infrastructures, particularly to strengthen our logistics with other states of the region. One market that is important and that we need to open up in 2009 is the US. Though the US is currently going into recession, we expect to position ourselves successfully in the US market.

How have the measures taken by the authorities shored up sentiment in financial services?

SHEIKH FAISAL: I do not think that all businesses have gone down, but it is true that confidence has. The UAE government has taken some measures to correct the economic slowdown, such as injecting money in the banks. However, it is important to note that local banks in RAK do not have problems in terms of bad debts or liquidity shortages. In 2009, with the opening of new tourism projects, the bourgeoning of new businesses, extension of existing companies' portfolios as well as the increasing investment by the RAK government on the emirate's infrastructure, I am convinced that the business community and investors will rediscover their confidence in the RAK economy.

What is being done to ensure that comprehensive and accurate statistics on RAK are being made available to investors and stakeholders?

SHEIKH FAISAL: The government has taken steps to make available comprehensive and accurate statistics on the emirate's economy to enable investors and other stakeholders to make informed decisions. We have also established a new website at RAK Free Trade Zone, where the information particular to the emirate will be available free of charge. We also provide information about the business environment and investment procedures, as well as comparison studies between RAK and other emirates. We attempt to make it the website of reference in the UAE for the business community. To reach this objective, we have 23 departments dedicated to updating the information, representing almost 300 people involved in this website.

How are you working to increase the coordination between investment procedures and fiscal policy?

SHEIKH FAISAL: The UAE Ministry of Finance is trying to coordinate all local finance departments in the seven emirates. In terms of investments procedures in RAK, there are some federal and local programmes implemented through local public or private institutions. We are currently working on defining a common strategic goal at the local and federal level in order to increase cooperation and reach a better communication system. Better coordination and cooperation will provide a much clearer picture of investment procedures, as well as the overall fiscal policy, which in turn will further ease the way of implementing business in RAK.

Khater Massaad

Numbers that add up

Khater Massaad, CEO, RAK Investment Authority (RAKIA), on attracting businesses to the emirate

On average, more than one foreign investor a day has been attracted to RAK since the establishment of RAKIA. That's every day of every month for more than three years, and we now have more than 1600 companies in the authority's portfolio. That represents in excess of $2bn in industrial investment during that time. All of this is cheering news to a world that has been bombarded this past year with one set of gloomy statistics after another.

None of RAK's success is accidental, of course. If, as the saying goes, you make your own luck in life, then we have shown that you can also make a solid and sustainable base for expansion and prosperity by capitalising on natural strengths and seeing problems only as opportunities to find solutions. Those strengths are immense. Led by the non-stop drive of the Crown Prince, His Highness Sheikh Saud, to raise the standard of living of all the citizens and residents of the emirate, the government has reformed and redrawn laws that needed changing and instituted policies that make us attractive for local, regional and international investors alike.

The list of incentives seems endless. Foreigners are allowed 100% ownership of their businesses in free zones and total repatriation of profits, as well as exemptions on tax and duties. As important as all of this is the establishment of a tightly knit bureaucracy with a big "can do" stamped on the top of every page of its agenda.

Although some industries, such as tile manufacturing, have grown to be world players – and that description is based on firm customers in 135 countries, not on wishful thinking – we have also been careful not to put all our eggs in one basket. The spread of licences issued best illustrates that.

As of the end of 2008, the total was composed of 494 commercial establishments, 477 industrial, 357 consultancy, 195 trading and 168 media. The source of investments is equally spread, with 28% from India, 17% from Europe and 22% from the Middle East outside the UAE. Nor do the numbers stop there. The 4.95m-sq-metre Al Hamra Industrial Park and free zones have both been completely leased.

We are very conscious, however, of the fact that size is not the only criterion of success in life. RAKIA is in active pursuit of small and medium-sized companies, which are known throughout the world as the main driver of employment opportunities. The mix also includes attracting industries that are not energy intensive, as part of our "whole picture" approach to expansion.

Obviously, as the emirate grows, it needs more power to fuel that growth. We are solving that problem – yes, it's that "solutions are more interesting than problems" phenomenon again – in an innovative way that gives us both extra electricity and viable foreign investment. To aid delivery, we are even involved in the construction of a new rail link.

Two years ago, we set up RAK Minerals and Metals Investments, which in March 2009 announced a major investment in the coal industry in East Kalimantan, Indonesia. The bottom line is that in 2010 we will see the mining of around 15m tonnes of coal a year and an energy source for new, clean power stations that we are bringing on-line to feed industry and to ramp up overall electricity production.

It might be reasonable to ask, with all these advantages for investors, why we have laws and regulations that allow complete repatriation of capital and profits. That's where RAK's secret weapon comes in. The emirate was naturally blessed with a captivating mountain range, sparkling beaches, an unspoiled desert and a stretch of greenery in the south.

To complement these geographical attributes we are adding residential developments, education and health facilities, shopping centres and recreational pursuits such as water theme parks, golf courses and flying clubs. We want the people who set up businesses in RAK to stay in the emirate because they want to – not just because the numbers add up.

The emirate's free zones are drawing in foreign investment

Zoning in on business

Trade opportunities with foreign partners blossom

Free trade zones have undoubtedly played a key role in RAK's development. The RAK Free Trade Zone Authority (RAK FTZA) registered 1585 new companies in 2008 alone, bringing the total to 5476. The plans, officials say, is to have approximately 10,000 companies within the next three years.

EXPANSION PLANS: If the current trend continues, this figure is feasible. According to the authority, since its establishment in 2000, the zone has witnessed an average annual increase of more than 50%, with companies attracted by incentives that include 100% foreign ownership, import and tax exemptions, 100% repatriation of capital and profits and no corporate or personal income taxes.

All non-free-zone companies must have a 51% stake owned by a local partner.

Since 2006 the number of companies registered in the free zone has grown from 2351 to 5476, constituting a 133% increase. RAK FTZA companies contribute an estimated capital of Dh10bn ($2.7bn) to the emirate's economy, according to an FTZA release.

The FTZA's free zone comprises three different parks, with each specialising in various functions. The first is a Business Park, which is located in the business district of RAK City and serves trading and services. The second section houses the Industrial Park for heavy industrial production and warehousing of raw materials or finished products. The third site is a Technology Park for automated manufacturing and capital-intensive quality lifestyle projects.

The RAK Investment Authority (RAKIA), which was set up in 2005 to promote a diverse economy and encourage investment, is in charge of the industrial zones and the 21m-sq metre industrial park in Al Ghail. The park was 50% full at the end of 2008.

The zone hosts manufacturers of steel, cement, paint and industrial gas, as well as one of the world's largest glassmakers, US-based producer Guardian. Officials note that the service sector is growing quickly and the supply of consultancy services to the Middle East is in huge demand. The hospitality sector is also taking off and the growth in tourism will mean more IT companies to service hotels, resorts and travel agents, among others.

Oussama El Omari, the CEO and director-general of RAK FTZA, told OBG that the zone attracts high-quality, knowledge-based foreign companies with the aim of both promoting the transfer of skills and bringing value to the national workforce in RAK.

BILATERAL RELATIONS: In addition, the FTZA is also actively looking to forge bilateral relations and explore trade opportunities. Germany has been a significant partner in terms of strong government-to-government cooperation and business ties, and the FTZA opened a liaison office in Cologne in 2008.

There has also been cooperation between RAK FTZA and India across various sectors, and the zone is looking to further expand business ties. Russia has also been a traditional market.

Currently US firms make up around 5% of those registered in the zone, but there are efforts under way to increase that. As exports form a large component of the US economy, trade zone officials believe that the US market has growth potential. Towards this end the FTZA set up a new liaison office in New York at the end of 2008 and opened another business centre in Miami at the beginning of 2009.

El Omari noted that in addition to attracting businesses to RAK, the role of the RAK FTZA international offices is also to strengthen trade and industrial cooperation between foreign and RAK governments.

"We play a fundamental role in encouraging foreign businesses to base their regional operations in the emirate by introducing potential investors to the business opportunities available at the RAK FTZA," RAK FTZA's El Omari told OBG. "We have also launched the new improved RAK FTZA website. It is a virtual one-stop shop for anyone interested in or already doing business in the UAE. Our vision is to become one of the best free zones in the world," he said.

Thanks to such incentives as no corporate or personal income tax, 100% foreign ownership and repatriation of profits, the emirate's Free Trade Zone Authority has seen a large number of companies registering for business in the past few years.

The free trade zone is actively seeking to improve trade relations by establishing liaison offices in overseas locations such as Cologne and New York.

In 2007 the emirate's foreign trade totalled some $3bn

Prime connection

Foreign trade is boosted by expanding capacity

RAK's international airport is currently being expanded, and a new terminal will almost triple total cargo-handling capacity. More than 50% of the airport's revenue is generated by cargo.

Although RAK has seen a trade deficit in recent years, its growing manufacturing base and increasingly popular free trade zones are expected to bolster exports. In addition, the emirate's infrastructure facilities have cemented strong links with its trade partners via air, sea and road.

Foreign trade jumped to Dh11.1bn ($3bn) in 2007 a 6.6% increase on the previous year, according to the Department of Customs and Ports. The emirate registered a trade deficit in 2007 mostly owing to its thriving real estate and construction sector. Total imports in 2007 reached Dh6.3bn ($1.7bn) compared to Dh4.2bn ($1.1bn) during 2006, a rise of 47%. Exports in the meantime fell to Dh2.2bn ($600m) in 2007 from Dh4.3bn ($1.2bn) in the previous year.

SAQR PORT: The Saqr Port has been instrumental in handling imports of raw materials for local industries, as well as for building materials destined for export. In mid-December 2008 Naser Bustami was appointed the general manager of the Saqr Port Authority. The port handled 25m tonnes of materials in 2007 and 30m tonnes in 2008 for all commodities. An expression of interest has been sent out to all of the major marine consultants to submit a marketing and technical study on the expansion of Saqr Port. The Hulaylah Industrial Park is also being built near Saqr Port, which is expected to be finished in 2010. It will house quay walls and logistics companies and will be attractive to companies involved in such areas as oil blending. It is a dead-end channel and will provide up to 4 km of quay walls. Investment in basic infrastructure amounts to $100m, according to officials at the Saqr Port Authority.

The Saqr Port has a major role in handling RAK's imports of raw materials and exports of building materials. In 2007 it handled 25m tonnes of materials and 30m in 2008 for all commodities.

The port's biggest import product has been clinker for the cement factories. The main exports are limestone and aggregates, which have been primarily bound to Gulf Cooperation Council member states, such as Qatar, Kuwait and Bahrain, to help feed ongoing construction projects. Plans are now also afoot to expand the port by adding 13 new berths.

MORE ARRIVALS: The volume of international trade is also expected to rise owing to the recent opening of the KGL Ports International (KGLPI) Container Terminal at Saqr Port, operated by KGLPI under a 21-year concession agreement with the RAK government. Despite a bumpy start following the opening in April 2007, the terminal has seen a higher level of throughput with the arrival of the weekly UASC AGX main line service from China and the twice-weekly UASC IMR1 (India/Middle East/Red Sea) service, together with a weekly Maersk Line call and regular roll-on/roll-off car carrier services by NYK and K-Line. Alan Pollard, the commercial manager at the KGLPI Container Terminal, said that the expected throughput for 2008 is around 90,000 twenty-foot equivalent units (TEUs), with that figure projected to exceed 200,000 TEUs in 2009.

RAK's international airport is undergoing massive expansion and is angling to become a cargo centre as congestion elsewhere in the UAE has become an increasing problem for operators. Cargo generates over 50% of the airport's revenue. The existing cargo terminal is 1079 sq metres and houses handling areas and cold and secure storage. A new cargo terminal will add an additional 1855 sq metres and cargo handling capacity will nearly triple.

Improvements to RAK's road network will also help the emirate handle more overland cargo throughput. The Traffic and Licensing Department has said that the emirate's sole entry road, Al Faisal Street, will be expanded into three-lane dual carriageway in light of increasing traffic.

Commercial flights have also been on the increase, with passenger movement rising to 207,783 in 2007, a 31% increase on the previous year.

The airport began its expansion programme in April 2007 to accommodate the burgeoning demand, which includes a major upgrade of the passenger terminal building and public transport infrastructure in addition to the new terminal for cargo.

Oussama El Omari

To the zone

OBG talks to Oussama El Omari, CEO and Director-General, RAK Free Trade Zone Authority (RAK FTZA)

What are the most significant trends in the types and sizes of companies registering in RAK FTZA?

EL OMARI: The UAE is known for its tolerance, political stability and good business opportunities. The UAE, and thus RAK, is one of the fastest-growing gateways to Europe and Asia, and it offers a strategic advantage for businesses looking to break into both markets. With the current financial crisis, Western countries are looking to this part of the world as a safe investment destination. The region is emerging as a re-export centre, reflecting our growing trade. We want to make sure that we help those in the West overcome the crisis by creating export programmes and business opportunities for them.

We are working to attract clients and investments by maximising the added value of the emirate. The free zone attracts high-quality knowledge-based foreign companies to promote the transfer of skills and bring value to the local manpower in RAK.

We are aiming to specifically attract high-value-added and capital-intensive activities, as well as knowledge-based and skilled labour companies. About 5000 firms are already registered in RAK FTZA, and we are looking to attract around 10,000 more over the next three years.

To what extent does RAK FTZA have bilateral relations with other countries?

EL OMARI: We are a consuming nation so we have to encourage other countries to do business with the emirate. We are trying to access how we can use RAK as the best investment destination next to Dubai, by offering an alternative to do business. We are promoting the fact that we are only about 45 minutes to one hour away from Dubai and that we can provide high-quality services. Russia, Germany and India are our traditional markets. We are enhancing relations between RAK and those markets, and we are continuously exploring new trade opportunities. Germany is a prominent European country with which RAK FTZA is keen to share a bilateral relationship characterised by strong government-to-government cooperation and business ties.

We benefit from cooperation between RAK FTZA and India across various sectors, and are committed to further expanding business ties with India. About 5% of the companies registered in RAK FTZA are from the US. In light of the fact that more than 13% of GDP in the US comes from exports and US companies are seeking more tools to export their goods, we see a growing potential coming from the US market by supporting the US trade and export from RAK.

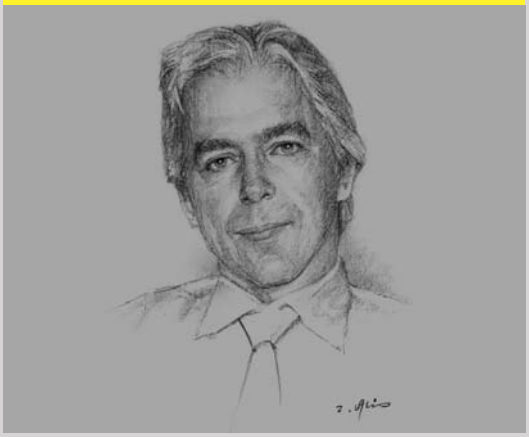
What is your strategy to promote RAK FTZA abroad and attract investors?

EL OMARI: We are branding our agency by establishing liaison offices and business centres worldwide. In addition to the UAE, we have international liaison offices and business centres in India, Turkey and Germany. We recently launched liaison offices in New York, Miami and Hong Kong and we plan to open another in France. That is the only way to properly communicate with our clients and investors.

Ultimately, being established abroad gives us a better perspective and understanding of investors' needs when they are investing in RAK.

Through our one-stop-shop offices and business centres abroad, we provide investors information and assistance aimed at helping them establish their business in RAK. This allows them to minimise the time and costs spent by expanding to the UAE market.

In addition to attracting businesses to RAK, the role of the RAK FTZA offices abroad is also to strengthen trade and industrial cooperation between foreign and RAK governments. We play a fundamental role in attracting foreign businesses to base their regional operations in the emirate by introducing potential investors to the business opportunities that are available at the RAK FTZA. We have also recently launched the new improved website for the zone.



Kevin Carey

Cross-border coordination

Kevin Carey, Senior Country Economist, Middle East and North Africa Department, World Bank, on the global financial crisis and the Gulf

There are three ways the global crisis will affect Gulf Cooperation Council (GCC) countries. First, GCC countries are seen as emerging markets by international financial investors. Second, they are oil exporters and thus dependent on global economic activity. Third, they have specific domestic vulnerabilities that determine how the crisis manifests itself in the region.

The 1990s were the beginning of a period of highly mobile cross-border capital flows. While the Middle East and North Africa was on the sidelines of the first wave of global capital flows at that time, due to the slow pace of structural reforms and low oil prices, this has changed considerably in recent years. Ongoing policy reforms made in the region increasingly attractive to foreign investors via foreign direct investment (FDI) and portfolio inflows, and the surge in oil prices since 2003 created a large pool of wealth in the Gulf.

The result has been a pronounced increase in the liquidity of GCC countries, which has posed a challenge for domestic financial intermediation to absorb. Adding to the challenge were speculative inflows, often linked to recurring bouts of exchange rate revaluation expectations within the framework of the dollar pegs. Also, as part of their ambition to have more diversified economies, GCC countries were engaged in mega-projects with substantial financing needs that could not be met domestically. As a result, there was increased reliance on syndicated external bank financing.

When inflation began to increase from 2006, most GCC countries were left with negative real interest rates given their tracking of US nominal interest rates. This weakened the attractiveness of domestic bank deposits as a financial instrument and strengthened that of inflation hedges such as property and equity investments. As a result, domestic banks were more inclined to meet their own funding needs from abroad.

The surge in oil prices between 2003 and 2007 allowed GCC countries to engage in higher public spending and higher windfall saving. This was partly made possible by an increased reliance on the private sector to implement large projects. The boom also allowed the GCC to support much higher FDI and remittance flows to the rest of the region. Increased flows to East Asia also became relatively more important.

GCC countries have some particular features that affected how the impact of the crisis was mediated at home. As recently as mid-2008, their main concern was excess liquidity and inflation. Thus GCC countries had a relatively tight monetary policy stance coming into the crisis. The comparison here with the US, who they usually follow, but which was already easing its own policy following the first signs of financial market turbulence in September 2007. GCC policymakers were aware of a build-up of domestic vulnerabilities even before the crisis accelerated, particularly the growth in domestic credit. This was seen as feeding rampant property speculation, most obviously in Dubai. Their response was to tighten lending restrictions and, to the extent possible, raise interest rates.

The global crisis accelerated during the summer and autumn of 2008 against that backdrop, and many of its characteristics have been seen in the region as well. These include a sharp drop in activity on interbank markets, with low interbank loan volumes and rising interest rates. There has been de facto rationing even at the quoted interbank rates due to counterparty risk. GCC investors are likely carrying big paper losses on their global investments, adding to their risk aversion.

How did the crisis interact with these features? The global aversion to emerging market risk, compounded by renewed confidence in the level of GCC dollar pegs, has led to sustained withdrawal of foreign liquidity from GCC markets. The decline in oil from $140 to $50 per barrel will result in a fall in windfall saving for the second half of 2008, and likely 2009. Even with the substantial buffers to protect fiscal spending programmes, there is increased attention on feasibility and cost-effectiveness of investment spending in the light of the downturn, especially where construction costs are seen as reflecting inflated prices from earlier in 2008.

Most attention so far has focused on the vulnerabilities exposed by the crisis in Dubai, although policymakers were already addressing property market concerns before it accelerated. But once the expectation of continued property appreciation was undermined, market dynamics came under severe pressure and mortgage lenders encountered a tightening in funding sources. In Saudi Arabia, where property overvaluation is less of an issue, there has been a severe stock market devaluation and a lack of market liquidity.

The situation in Kuwait is particularly complex, given the role of investment companies in the Kuwait Stock Exchange (KSE). In 2007 these companies accounted for 33% of KSE trading volume and 16% of total market capitalisation. Thus KSE buoyancy was linked to the activity of funds, whose financial health (and ability to leverage) was linked to KSE buoyancy. As the value of investments declined, the model broke down. In general, smaller GCC economies – Qatar, Bahrain and Oman – have seen financial turbulence similar to that in global markets, without (so far) any crucial breakdown in key institutions or the market.

What has been the policy response of GCC countries? The GCC has not seen big banking sector rescues, except the Kuwaiti government-backed private capital infusion to Gulf Bank. But deposit guarantees have proliferated, often considered to be a defensive measure given their introduction in other countries. The UAE is seeing a significant rationalisation of the actors in its property sector, through the merger of non-bank lenders and downsizing of developers. There has been substantial monetary easing (following the Federal Reserve), but more significant than interest rate reductions has been substantial liquidity operations by central banks. In effect, significant balance sheet financing that used to take place in the private sector with the help of foreign finance has shifted on to central banks.

Determining the macroeconomic policy response is difficult as there is little data available on key variables, such as GDP growth or investment. Fiscal policy will be the main tool for coping with the economic impact. Oil prices are moving into a range where some national budgets may project deficits in 2009.

However, recent budget surpluses give GCC countries the fiscal buffer to pursue expansionary policy. Such an expansion would also be a net positive for the world economy, given the role of the GCC as a consumer of imports. The affirmation from Saudi Arabia that previous investment plans totalling $400bn would be maintained over the next four years, despite the drop in oil prices, is an important indication of the government's thinking on how to cope with the crisis.

The crisis has also highlighted a longer-term financial sector agenda for the GCC countries. The case for a single capital market regulator looks stronger than ever. This is particularly needed in Kuwait, whereas the countries that already have a single regulator, such as Saudi Arabia and Bahrain, have seen the benefits.

Various forms of financial market deepening should take place. Like elsewhere in the world, the retail bank deposit model is looking stronger. This is good news for Islamic banking, which has a niche of depositors seeking sharia-compliant deployment of their funds. Also, policymakers will want to continue efforts to broaden the institutional investor base in securities markets. This is important to lessen the dependence on retail investors in stock markets and to create a potential market for domestic bond issuance. The availability of long-term bonds would also help banks better match the maturity of their assets and liabilities – something that retail deposits alone cannot do.

The GCC can be the vehicle for better cross-border policy coordination than was actually seen as the crisis evolved. This is not unique to the GCC – the EU also found itself trailing individual country's responses, especially in terms of deposit guarantees and fiscal policy. However, past EU experience has shown that crises often act as an impetus for better policy coordination. The renewed momentum of the GCC currency union project provides an obvious forum for a similar process.

Hassan Hamdam Al Alkim

Setting itself apart

OBG talks to Hassan Hamdam Al Alkim, General Director, Economic Development Department

How do you assist investors developing in RAK?

AL ALKIM: The mission of the department is to ease the investment process by providing comprehensive registration and licensing procedures, and by facilitating statistical data and access to information. Apart from the investors setting up a business in one of the emirate's free zones, all the companies investing inland have to get their licence through the Economic Development Department. There is a bit of a gap in terms of licensing regulation so we try to fill that gap by adopting laws and bylaws to make the investors aware of their rights and duties. In 2008 we opened a branch at the Chamber of Commerce & Industry, and we plan to have an office at RAK Investment Authority in order to facilitate the licensing procedures. We also publish an annual statistics book in line with international standards. The figures we release are important for investors so our priority is to be transparent and accurate. In order to improve the data and information management process and cover the shortfall in statistical data, we are setting up a statistics bureau that should be operational within the coming two years.

What initiatives are being developed to protect intellectual property in the emirate?

AL ALKIM: In October 2008 we signed a memorandum of understanding (MoU) with the UAE Ministry of Economy in order to ensure that any licence issued by this department will be valid across the entire UAE. This agreement establishes an institutional framework consistent with UAE's international obligations and RAK's own direction in developing its investment environment and the necessary laws and regulations. We aim to increase cooperation in trade protection and the planning, development and unification of procedures related to trade control and the protection of intellectual property. The MoU is intended to enhance commercial market regulations and create a competitive environment that both protects society and develops the national economy. We also aim to promote awareness programmes that will educate the public and investors on laws and regulations concerning trade protection and their rights under these legislations and procedures. Moreover, we also coordinate our actions and collaborate with the Central Bank to avoid fraud.

How would you describe RAK's investment climate?

AL ALKIM: We have to work hard and at a faster pace to catch up with the other emirates if we want to make RAK an attractive investment destination. Changes in the economy during the last five years have been very impressive; unfortunately, the international crisis might have an impact on the pace of the emirate's development. RAK is a unique emirate as it has mountains, the sea, sand dunes and culture, a combination of which none of the other emirates have. Tourism is one of the areas to be further explored in the emirate, but we have to make sure we preserve our identity while going through with development.

How is the emirate's size constraining development?

AL ALKIM: Improving the road, ports and airport infrastructure, as well as developing good connections with the other emirates, assures the development of efficient logistics facilities that will make RAK a strategic location in the region. The companies coming to RAK also benefit from an attractive legal and fiscal environment. However, the limited size of the emirate could be an issue in the medium to long term. If we implement more major projects, the land availability will reach its threshold and consequently limit further investments in the future. The limited supply of oil, gas and electricity is another issue. Where we are attracting a growing number of investors and tourists, we need to make sure that we will be able to supply sufficient energy. We also need to provide more infrastructure, develop services, such as health and education, and protect our environment. I believe the main challenge today is to maintain achievements made in the past few years and capitalise on those performances.

Financial Services

Economic growth boosts retail products
Taking measures to support the sector
Much potential exists for expansion of insurance
Establishing the emirate as an offshore centre
Increasing popularity of sharia-compliant finance

In 2007 the sector accounted for 7.2% of the emirate's GDP

Steadily going forward

A cautious approach and solid growth have created a sector with plenty of ballast

The number of businesses establishing themselves in RAK should result in greater funds for the sector. According to the RAK Investment Authority, there was a 150% increase in the number of firms registering with the authority in 2007.

The transformation of Ras Al Khaimah into a significant engine of economic growth in its own right has presented many opportunities for the financial services sector over the past half decade. With GDP growing by 50% over the past four years, the levels of foreign and domestic capital flooding the emirate has reached new peaks. Although the banking sector, in particular, still has a strong focus on the retail segment, such economic growth has bolstered the balance sheets of RAK's financial institutions. Strong growth projections for the coming years should ensure that this is no fleeting trend.

AN IMPORTANT SECTOR: Indeed, financial services play a crucial role in RAK. The sector accounted for 7.2% of the emirate's GDP in 2007 mirroring the country as a whole where financial institutions accounted for 7.6% of GDP. Within RAK, the potential for the expansion of the sector remains strong. The economy is growing at an impressive rate with GDP increasing by 13.9% in 2007, according to the Statistical Yearbook 2008 produced by the RAK Economic Development Department.

Moreover, retail products for both the banking and insurance sectors should be bolstered by the high GDP per capita in the emirate, which stood at Dh53,923 ($14,683) in 2007. This has grown rapidly, increasing from Dh46,407 ($12,637) in 2005. Indeed, while RAK is only the fourth-largest emirate with an estimated population of 222,000 in 2007, the population growth rate of 4.94% bodes well for the rolling out as well as appropriation of more sophisticated financial products. This will be eagerly anticipated by the insurance sector, as the non-life penetration rate in the country as a whole is still relatively low, standing at 1.3% of GDP in 2006 according to the 2008 Statistical Yearbook.

RAK's banking and insurance sectors are expected to be boosted by the emirate's high GDP per capita and population growth rate.

RAK's economic rise over the past half decade should provide plenty of opportunities for a further roll-out of corporate services. The RAK Investment Authority (RAKIA) alone has attracted more than $2bn in investment to the emirate since 2005. Indeed, the growth in the number of companies setting up in RAK should provide a catalyst for the sector. RAKIA witnessed a 150% increase in the number of companies registering with the authority in 2007 which pushed the total number of companies above 1000. Meanwhile, the RAK Free Trade Zone Authority registered 847 new companies in the first half of 2008 bringing the total number of free zone companies to 4773. This alone has brought an estimated Dh10bn ($272m) in capital to the local economy.

NEW ZONES: These economic and industrial zones have been supplemented by the establishment of RAK Offshore in 2006. The new authority, which by the last quarter of 2008 had registered almost 2000 companies, will set up shop in a new financial city made up of 12 towers and hopes to attract 5000 companies by the beginning of 2010. The concept is now in its early stages with RAK Offshore in discussions with the Central Bank of the UAE to create legislation for trusts and foundations. However, over the coming years it is envisaged that RAK Offshore will become a centre for financial, logistical and insurance services creating a growing demand for offshore bank accounts, investment banking services, insurance products and retail banking services. Indeed, all this economic activity has also led the government to address crucial infrastructural requirements, and it will present financing opportunities to local, national and international banks.

For example, two new power plants are expected to be operational by February and the end of March 2009 at a cost of $120m, with two more projects expected over the next four years.

STAYING STRONG: Although there is significant potential in the emirate's financial sector, the challenges presented by the global credit crunch and a softening oil price will undoubtedly have an impact. RAK's economy is less oil dependent than many of its neighbours both within the federation and in the

region. However, as the oil price has steadily fallen from a peak almost touching the $150 per barrel mark in the summer of 2008, there will be a consequent impact on liquidity throughout the emirates at a time when it is most needed.

This has also been compounded by the global economic crisis. One local banker told OBG, "The major problem [in the UAE] is interbank lending. This system is frozen because of the global situation. All banks are working for themselves and are becoming strict on interbank lending. Local banks [in the UAE] are also suffering over lending in the market. In some cases, bank assets have been exceeding liabilities by 120% or 130%."

However, the majority stake in most leading national banks within the UAE is held by members of the ruling families of the respective emirate. RAK is no different in this regard and with a history of government support to the banking sector, it is unlikely that any local banks will slide into a perilous position. Indeed, the federal government has also taken significant measures to boost confidence in the sector in light of global economic and credit crisis.

SAFE BANKING: In October 2008 the UAE cabinet announced that the federal government will guarantee the customer deposits and savings of all UAE national banks, as well as foreign banks with core operations in the country, for three years. The government also stated that it would seek to guarantee all interbank lending operations.

These confidence measures were supported in the same month by a Dh70bn ($19.1bn) liquidity package. The first Dh25bn ($6.8bn) tranche of this package was injected into the banking system in late October 2008 with deposits allocated to banks on the basis of their current loan and credit portfolios. This measure was supported by the establishment of a UAE Central Bank Dh50bn ($13.61bn) credit facility to assist local banks.

All of these measures have largely been well received. Fitch Ratings Agency welcomed the moves and announced that it is unlikely to change the banks' long-term issuer default ratings (IDR) because of government support and the limited exposure of UAE banks to capital markets.

Indeed, with funding for the most part based on retail and corporate deposits as well as interbank borrowing, the UAE banking system should have the resilience to withstand the current financial crisis.

Value of insurance policies by type (Dh 000)

	2006	2007
Car	37,672	54,059
Cargo & transport	9793	9131
Fire	10,164	11,477
Theft	151	145
Life	811	1324
Others	32,194	41,235
Total	90,785	117,371

SOURCE: Ministry of Economy

The insurance penetration rate is around 1.3% of GDP

This is equally, if not more so, the case for the sector within RAK. The emirate is largely focused on retail banking with strong competition among the local, national and international banks operating in the market. This competition looks unlikely to abate with a 20.8% increase in the number of branches of national banks in RAK in 2007.

The emirate now has 29 national bank branches and six foreign bank branches for a population of 222,000. While this has led to suggestions that the sector is overbanked, the ratio of 16.2 branches per 100,000 people is well below the average of 50 branches per 100,000 people in Europe.

LOCAL INSTITUTIONS: While much of the business in the emirate is conducted by financial firms incorporated in other parts of the UAE, RAK has two home-grown banks – the National Bank of RAK, also known as RAKBank, and Commercial Bank International (CBI). Established in 1976 with a 52.75% stake held by the government of RAK, RAKBank is highly concentrated on the retail segment and has gained a strong foothold in the UAE in this area. The bank has 25 branches throughout the UAE and 61 ATMs.

The bank's financials remain in good health with net profit for the first nine months of 2008 increasing by 65% year-on-year to Dh480m ($130.7m). Much of this is driven by retail lending with the bank's net interest margin hitting an impressive 7.9% for the nine months to September 2008. Loan growth increased by some 27% for this period. While this illustrates the potential of the retail segment in the emirate, it will be difficult to sustain these figures given the changing economic climate.

GOOD POSITIONS: However, the bank is well placed to cope with future constraints on liquidity and the higher cost of funding. With in excess of 80% of non-equity funding coming from customer deposits, RAKBank has limited exposures. Furthermore, Fitch Ratings also estimates that the bank's loans-to-deposits ratio was 112% at the end of September

RAK has a history of government support for the sector. The government of the UAE has taken substantial measures in order to improve confidence during the global credit crisis.

The UAE cabinet announced in October 2008 that the federal government will guarantee customer savings and deposits of all national banks and foreign banks with core operations in the country for three years.

At present the emirate has 29 national bank branches and six foreign branches

2008 indicating adequate liquidity. Fitch also points to satisfactory capital with an eligible capital ratio calculated at 17.5% at the end of the third quarter. Indeed, the ratings agency reaffirmed RAKBank's IDR of "A-" in September 2008.

RAK's other local bank, Commercial Bank International (CBI), has had a slightly more difficult 2008. While total income for the first three quarters of the year was up by 24.8% on the same period of 2007, net profit decreased by 1.8% to Dh342.5m ($93.3m). However, net interest income increased significantly to Dh587.9m ($160.1m) compared to Dh338m ($92m) for the first three quarters of 2007. Moreover, with customer deposits rising by 2.5% between December 2007 and September 2008 and a capital adequacy ratio 2.6% above Central Bank requirements of 10%, the bank is still in a good state of health.

There are several challenges facing RAK's incorporated banks and the sector more generally. The emirate's large retail banking sector may well find it difficult to sell its services over the coming months with less attractive borrowing rates for consumers. For example, car loans, which play a significant role in the banks' retail loan portfolios, are likely to suffer with new car sales in the UAE down by as much as 60% in November 2008.

Moreover, the nascent mortgage industry may experience some challenges with property market corrections in the offing. However, this is likely to prove more problematic in Dubai where RAK's two banks have a significant mortgage portfolio.

While RAKBank and CBI may be exposed to a potential correction in the country's real estate market, the terms of lending offer hope that they will not come up against too many market problems. Fitch Ratings estimates that RAKBank's average loan-to-value (LTV) ratio at origination for the mortgage book is 75%. Such lending terms are significantly more conservative than many offered within the Gulf Cooperation Council (GCC) region where they

Nearly 2000 companies were registered with RAK Offshore in November 2008. With more than 50% of these real estate holding firms, the authority is keen to expand the range of services offered and attract other types of businesses to the jurisdiction.

TAKING IT OFFSHORE

Over the past two years RAK has been working hard to establish itself as an offshore services centre with capital and assets increasingly being registered with RAK Investment Authority's new vehicle, RAK Offshore. The offshore authority, which was established in 2006, has seen steady growth in the number of companies moving to the jurisdiction as well as a broadening in services offered.

By November 2008 almost 2000 companies were registered with RAK Offshore, a rapid increase on the 150 firms registered by the third quarter of 2007. The authority has also managed to double the number of registered agents in the UAE from 20 in 2007 to 40 in November 2008. These agents, which mainly comprise of law firms, chartered accountants and business consultants, should help generate further business as RAK Offshore targets registering 5000 companies by the start of 2010.

With upwards of 50 well-established offshore regulatory bodies worldwide offering a range of services, this will be no easy task. However, Peter-Michael Schuster, the general manager of RAK Offshore, is optimistic. "Companies are usually linked to one jurisdiction such as Jebel Ali but they are coming to us because it is better and faster. In general, for our regulations, we follow the British Virgin Islands (BVI) offshoring model but we have made ours a little more straightforward. If BVI asks for two directors, we ask for one director. In general, we do not need a balance sheet either," he told OBG.

While the levels of efficiency and confidentiality are high, the authority will also have to diversify the range of services it offers in order to attract more capital. Over 50% of the companies registered with RAK Offshore are holding companies for property. Consequently, with prices softening in Dubai and Abu Dhabi, the authority needs to look at other areas. The authority is already formulating a master plan to have 5000 berths over the next five years. RAK Offshore has signed an agreement with the National Transport of Abu Dhabi to register private yachts and pleasure boats. With an increasing port capacity in RAK and its proximity to Jebel Ali port in Dubai and Taweelah Port in Abu Dhabi, there should be plenty of opportunities to register both local and international ships.

Beyond this, while RAK Offshore has also targeted invoicing companies and intellectual property and patents, it will need to look at rolling out further financial services in the future. The authority is currently lobbying the UAE Central Bank for a memorandum of understanding for trusts and foundations. In the current economic climate, this may be difficult to push through. However, in the longer term, the authority looks well placed to attract significant capital to the emirate's shores.

have touched 90% in some cases and, along with the fact that more than half of their mortgage loans are issued to residential owner-occupiers, should ensure that their debt levels are manageable.

STAYING STRONG: Indeed, the market as a whole should remain largely resilient in the face of the credit crunch. One international banker working in RAK suggested that the non-performing-loan (NPL) ratio in the emirate is significantly below the UAE average of 8.3%. Moreover, with a GDP per capita above Dh53,000 ($14,432) and a significant emphasis on priority private banking, the banks have a strong customer base.

However, while the average personal loan in RAK in 2008 was between Dh100,000 ($27,230) and Dh150,000 ($40,845) with car loans averaging Dh60,000-80,000 ($16,338-21,784), it seems inevitable that the size and terms of these loans will be increasingly restricted at the beginning of 2009. In December 2008 HSBC increased the minimum monthly income requirements from Dh10,000 ($2723) to Dh20,000 ($5446) for all personal loans, while Lloyds TSB has stopped offering loans for apartments and will only offer an LTV of 50% for villas, down from 80%. The interest rates within the RAK market have also risen, averaging 9-10% for both housing and car loans in November 2008.

BUSINESS FINANCING: While corporate and small and medium-sized enterprises (SME) banking have been outshone by the retail sector, their importance is growing, although they are also likely to be affected by the current economic conditions.

According to Sami Saqr, the general manager of the government's finance department, "Five years ago banks would arrange financing for 95% of a project. Now banks will not agree to finance unless you already have 30-50% covered. This is reasonable and the banks will change everywhere; they won't give easy conditions for borrowers."

Yet project financing is still in its infancy in RAK, especially with financing for larger projects often managed from Dubai or Abu Dhabi. According to Sahel Al Rousan, the economic advisor at the RAK Chamber of Commerce and Industry, "Most of the projects in RAK are small projects and not even medium-sized. By small projects, I mean those ranging from Dh100,000 ($27,230) to Dh5m ($1.36m)."

However, banks are beginning to take more of an interest in the potential opportunities in the corporate and SME segment in particular. In January 2008 India-based Bank of Baroda entered into a memorandum of cooperation with RAKIA to offer preferential financing for companies setting up within RAKIA's zones. By November 2008 the bank had received a number of proposals and had sanctioned facilities for seven companies. The focus of this financing has been on the industrial and real estate sectors with a particular emphasis thus far on manufacturing units. The facilities have been largely channelled into smaller-scale projects with the average ticket size of Dh5m-6m ($1.36m-1.63m).

While the emphasis has largely been on the SME segment, the bank has also offered loans topping Dh100m ($27.23m). However, in the current climate, Bank of Baroda is remaining relatively cautious with the company, requiring 25-40% of the capital to receive a loan. Furthermore, in the current scenario, a mid-sized loan has an interest rate of between 9% and 11% based on their base rate.

INSURANCE: The insurance market in RAK is still in its infancy. The emirate has 11 establishments operating within its borders with two companies, RAK National Insurance Company (RAKNIC) and United

RAK banking sector breakdown, 2003-07

	2003	2004	2005	2006	2007
Headquarters	1	1	1	1	1
National bank branches	19	20	21	24	29
Foreign bank branches	6	6	6	6	6
Total	26	27	28	31	36

SOURCE: Central Bank of the UAE

The UAE market is expected to remain resilient during the global crisis thanks to its high GDP per capita and generally strong customer base.

United Insurance Company
شركة التأمين المتحدة

Dubai
T: +971 4 2222440
F: +971 4 2228668
P.O.Box: 1888
Deira, Dubai, UAE

Sharjah
Tel: +971 6 5682277
Fax: +971 6 5681586
P O Box: 5333
Sharjah, UAE

R.A.K
Tel: +971 7 2351584
Fax: +971 7 2353213
P.O.Box: 1010
Ras Al Khaimah, UAE

S.Z.R. DUBAI
Tel: +971 4 3296111
Fax: +971 4 3296161
P O Box: 1888
Dubai, UAE

Abu Dhabi
Tel: +971 2 6263313
Fax: +971 2 6263526
P.O.Box: 721
Abu Dhabi, UAE

"on your side"

TOLL FREE 800 UIC

Motor is the largest insurance segment in the emirate

RAK's nascent insurance market has a lot of potential, especially as compulsory health insurance has already been introduced in some parts of the UAE and further roll-outs are expected.

Insurance Company, incorporated there. Insurance premiums reached Dh117m ($31.85m) in 2007, an increase of 29.3% on 2006. The largest segment is auto insurance, which is compulsory in the UAE and accounts for just under half of the whole market in RAK. The next biggest segment is fire insurance, which is a policy favoured by the larger industries and construction projects. However, other retail segments remain underserved, including life insurance, which brought in Dh1.3m ($354,000) in premiums in RAK in 2007. While this represents an increase of 63% on 2006, RAK is following the trend of all GCC markets, which have been slow to take up life insurance often for cultural reasons.

The emirate's retail insurance market as a whole still has a long way to go. According to Antoine Stephan, the general manager of RAKNIC, "There is a need to educate the population about the importance of insurance and especially in this period of financial crisis. The insurance penetration rate in RAK is currently approximately 30%." Consequently, the reinsurance market is also relatively small, and premiums fell from Dh65.8m ($17.92m) in 2006 to Dh48m ($13.1m) in 2007.

The market does, however, have much potential. With Abu Dhabi introducing compulsory health insurance in 2007 and Dubai preparing to follow suit in January 2009, the prospects for a greater roll-out throughout the federation are strong. RAKNIC is already a leading player in this field with approximately 10,000 clients in RAK and premiums in this field representing 20% of their portfolio. The company also has a big presence in property damage.

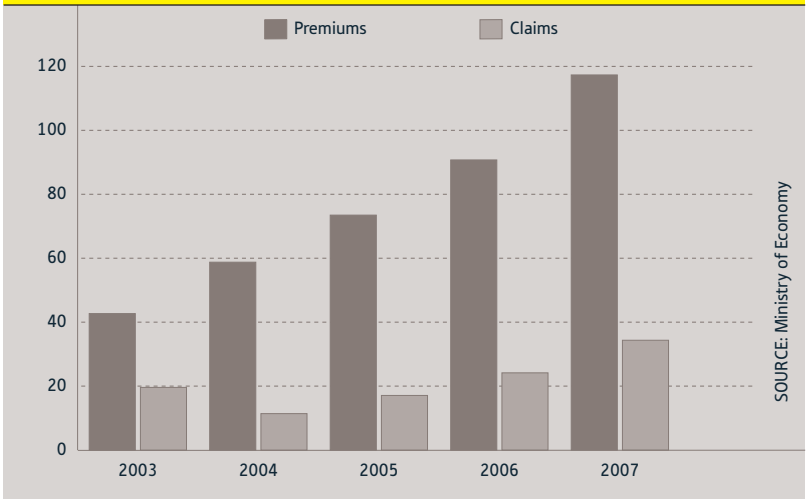
It has been a mixed year for RAK's two insurers. RAKNIC recorded a Dh26m ($7.1m) profit for the first three quarters of 2008, representing a 14% decrease on the same period in 2007. This was partly attributable to a drop in gross written premiums from Dh211.4m ($57.56m) for the first three quarters of 2007 to Dh164.7m ($44.84m) for the same period in 2008. United Insurance recorded a decrease in profit in September 2008 of 38% to Dh13m ($3.54m). Net insurance premiums in the first three quarters of 2008 stood at Dh52.03m ($14.2m), compared with Dh40m ($10.9m) for the same period of 2007, an increase of 30%. The underwriting profit was Dh25m ($6.8m), compared with Dh17.4m ($4.74m), a rise of 44%, for the same period. Net underwriting profit reached Dh16.4m ($4.5m) compared with Dh11.6m ($3.2m), an increase of 41%.

The immediate future is unlikely to yield better conditions for growth. With the current investment climate and consumer confidence bruised, these may be difficult times for insurers throughout the region. Insurers will therefore be trying to minimise their risks and concentrate on core competencies. "We will concentrate on receivables and collecting money on the market. We will select medium- to low-risk clients; for example, we will not cover warehouses anymore. We will look at the morality of the risks, covering clean and solid clients and cutting down on expenses," said Stephan.

OUTLOOK: Similar to other economies around the world, the financial services sector in RAK looks set for some challenges in 2009. However, with the leading financial institutions in the emirate having taken a largely cautious approach during the past three years of high liquidity and turbocharged construction, their fundamentals should be resilient enough to avoid the need for government assistance or a radical re-think of strategy. Indeed, looking to the longer term, there is enough potential in the market to keep all the leading players interested.

While the current emphasis in the banking and insurance sectors has been on retail products for individuals, the emirate's ambitious plans should ensure a more equitable split of products and services in the future. In addition, this government-backed growth strategy should ensure that the centre of gravity is refocused on RAK and that local financial services companies do not become overexposed in other emirates where the prospects of property corrections and economic slowdown loom larger.

Premiums & claims, 2003-2007 (Dh m)



Sheikh Omar bin Saqr Al Qasimi

Growing confidence

OBG talks to Sheikh Omar bin Saqr Al Qasimi, Chairman, RAK Bank and RAK National Insurance Company

How have client profiles changed in RAK recently?

SHEIKH OMAR: As the emirate's economy is growing fast, the profile of banking and insurance services offered to customers has changed. If the banking and retail sectors have been the major focus in the past few years, corporate banking is gaining in importance, with the number of companies investing in RAK growing and demand for more financial services in the industrial sector increasing. Moreover, there are more and more expatriates living in RAK. Consequently, we now have to adapt our portfolio by offering a wider range of services, while also guaranteeing that our products meet international standards.

Given the competition within the UAE banking sector, what scope do you see for RAK financial services providers to gain market share?

SHEIKH OMAR: With the growth of the economy, RAK is becoming a more attractive market for banks and insurance institutions. I believe RAK financial institutions are prepared to face the competition thanks to a well-established and growing network in the emirate and local expertise in the market. While existing players should be able to maintain their market shares, there is still room for more banking and insurance players to enter the market. The challenge is to secure the achievements of the past several years and assure the continuous growth of RAK's economy in the coming years. By being open and dynamic, the emirate still has tremendous potential to explore, notably in the tourism and industry sectors. This represents a considerable opportunity for development and increasing market share for both banks and insurers alike.

How have the measures taken by the UAE Central Bank and Ministry of Finance to strengthen confidence in the banking sector restored confidence?

SHEIKH OMAR: The UAE federal government reacted quickly to the effect of the world financial crisis. The first measure was to guarantee all the deposits in local and foreign banks in the UAE, which has a major impact on restoring confidence in the market. Moreover, the Central Bank allowed banks to withdraw Dh50bn ($13.6bn) from the Central Bank's reserve, and the Ministry of Finance gave loans up to Dh70bn ($19bn) to banks. All these measures gave stability and confidence to the local financial market. Even if 2009 is not an easy year, thanks to the strong UAE financial system and fast reaction of the authorities, I believe RAK financial institutions will not be strongly impacted and will be able to face and manage the situation efficiently.

How true are the arguments that Islamic finance is more immune than conventional banking to the effects of the current global downturn?

SHEIKH OMAR: I think nobody will be spared by the economic downturn. However, it is true that the demand for Islamic finance is growing tremendously in RAK. At RAK Bank, we are even in the process of developing an Islamic finance company in 2009. The Islamic system is about sharing risks so the current economic situation could, in fact, actually represent an opportunity for this type of financing. I strongly believe that there is growing potential for Islamic finance.

Is it fair to assume that RAK's financial institutions will be less exposed to any corrections or changes in the wider UAE real estate sector?

SHEIKH OMAR: To some extent I believe the financial institutions will be less exposed to the correction of the UAE real estate sector. Indeed, local players such as RAK Bank have never been involved extensively in the financing of real estate development projects. Being conservative and limiting our investments risks protected us from exposure to the international crisis. Also, RAK financial institutions have not invested in the US real estate market so we are not affected directly by the credit crunch there. So even if this global crisis has an impact on the economy and especially the real estate sector, we will never go into a financial crisis in RAK.

Khalil Saeed

Evolving market

OBG talks to Khalil Saeed, General Manager, United Insurance Company

How is competition growing in the sector?

SAEED: The competition in the UAE insurance market is strong: there are more than 50 insurance companies, 26 of which are national companies, and more than 200 brokers, including 12 international ones. Considering the population of the UAE stood at just 5.1m at the end of 2008, this is a large number of competitors. Unfortunately this leads to an extremely competitive environment in which companies cut rates, an unacceptable practice in the international market. This unhealthy practice leads consumers to believe that the best offer is the cheapest without taking into consideration the security of the insurer or the risk assessment report. This will undoubtedly lead to catastrophes in the market in the future. Professional ethics demand that insurance companies create a genuine partnership between the insured and the insurer by providing the insured with adequate coverage and complete security. On the other hand, consumers should pay an adequate premium to balance the mutual interest, but the free market will correct itself. We must all heed the lessons of the international economic crisis, which has caused huge investment losses and forced companies to concentrate on their core business.

How have reinsurance options changed recently?

SAEED: The reinsurers view the UAE market as an increasingly difficult business environment, characterised by poor results, inadequate rates and high claims ratios. The low rating factor is most evident in the fire and engineering insurance sectors. Hence, reinsurers prefer to maintain a low profile and be more cautious in providing their support to local insurance companies. Overall, investment income has started to suffer heavily from the conditions of the unravelling global economic crisis, increasing the pressure on the insurers' technical underwriting teams to control their exposure and increase profitability. This factor along with the above situation causes reinsurers to review their strategy in very promising markets like the UAE. This situation is now affecting the local insurers since reinsurers are implementing new conditions, reducing capacity and commission, and demanding higher rates on non-proportional treaties.

What is required to better educate the RAK population on the importance of insurance?

SAEED: Under the leadership of Sheikh Saud Bin Saqr Al Qasimi, RAK has registered huge development in all fields of life, therefore insurance plays an important role in supporting the economy. Insurance companies, as well as government authorities, have to participate in educating the population on the importance of insurance in safeguarding their interests. This can be achieved through media advertising financed collectively by all insurance companies. The UAE government is also making many types of insurance, such as medical, motor, professional indemnity, and medical malpractice for clinics and hospital, mandatory. We must also reach out to property owners to explain the necessity of property insurance. We have to encourage the appointment of risk managers in companies, which will enable enterprises to explore risk and choose a suitable coverage plan. Moreover, the volume of insurance policies reflects the degree of civilisation in society. We have to develop our society by making insurance part of our culture.

How will the introduction of compulsory medical insurance affect the market?

SAEED: It is the first important step towards maintaining a truly global standard in health care and medical services. This law provides medical coverage for all expatriates working and residing in the emirate of Abu Dhabi and covers all visitors staying for more than two months. In 2009 it will also be mandatory for all expatriates residing and working in Dubai to have health insurance provided by their employer or sponsor. Expatriates, residents and visitors will receive basic health coverage, with expatriates and residents having to register with the primary health-care centre of their choice.

The UAE has the largest share of global Islamic premiums

Another look at low risk

Sharia-compliant finance is becoming popular across the board

Islamic financial services have been growing rapidly across the Gulf Cooperation Council for several years with the region's *sukuk*, or Islamic bond, market overtaking that of Malaysia's to become the biggest in the world in 2007. RAK has been no different in this regard as the emirate has adopted Islamic financial instruments at both the retail and corporate levels.

Islamic products are particularly prominent in RAK and form a crucial part of the market. According to one local banker, "Due to the area and the culture, the Islamic principle works well here. Islamic services have a good contribution in the market with players such as Dubai Islamic Bank (DIB), Abu Dhabi Islamic Bank (ADIB) and Dubai Bank. They [Islamic financial institutions] may exceed a 30% market share, which is a considerable figure compared with regular growth."

GROWING POPULARITY: It is not simply the purely Islamic financial institutions that are looking at Islamic retail products. The National Bank of RAK received a licence from the UAE Central Bank to offer sharia-compliant products in 2007. International banks have also been looking to tap this crucial market. HSBC, for example, conducts 40% of its business in RAK through its Islamic business arm, HSBC Amanah. This growth looks set to continue. Sahel Al Rousan, the economic advisor at RAK Chamber of Commerce and Industry, argues that Islamic financial institutions are best placed to weather the current economic storm. "Islamic banks have an advantage because their lending policies are good. The Central Bank regulates that the loan to deposit ratio should be 1:1, but for Islamic banks it is even better than this."

Nevertheless, a report by Moody's Investors Services suggests that the growth of Islamic financial services will also slow alongside conventional banking in 2009. The report indicates that aggregate asset growth of global Islamic banks will slow by 10-15% but given that they are poised to grow by 20-30% this year, it suggests they will experience healthy growth in 2009 overall. Indeed, the report notes, "Islamic financial institutions benefit from a number of buffers, including ample capital and strong retail platforms, that will enable them to continue growing, albeit at a slower pace, before resuming more rapid growth, most probably within an 18-month timeframe."

This bodes well for business in RAK with many institutions looking to roll out further Islamic offerings. This is also the case in the insurance sector with the RAK National Insurance Company (RAKNIC) eyeing the takaful, or Islamic insurance, market. "I see a very bright future for Islamic insurance. I believe that about 25% of the insurance companies could offer Islamic insurance products in the coming five years," said Antoine Stephan, the general manager of RAKNIC. He added, "However, I don't know how these companies will proceed given the financial crisis. At RAKNIC, we decided to postpone the launch of Islamic products."

THE ROAD AHEAD: Given the penetration of Islamic banking products, takaful should have a bright future in RAK. Indeed, the UAE already has the largest global share of Islamic premiums estimated to stand at 18.7% of the global takaful market in 2006 by the World Islamic Insurance Directory. While Islamic premiums in the UAE reached Dh500m ($136.15m) in 2007, this was dwarfed by the conventional market, which recorded premiums of Dh10bn ($2.73bn).

Yet growth in this niche area is far outstripping growth in the industry as a whole. The UAE's three takaful operators – Salama, Dubai Islamic Insurance and Reinsurance Aman, and Abu Dhabi National Takaful – grew 59-87%, which is well above the insurance industry average of 30%.

The prospects for Islamic financial products in RAK, therefore, look set for the coming years. This is particularly the case in the retail segment of the market, given the strength of RAK institutions in this area and Islamic products' marketability. Indeed, while the country as a whole has taken to such products, RAK could yet outstrip the rest of the federation in its appetite for Islamic financial services.

Islamic products comprise a significant part of the market in RAK, and even international banks are making efforts to capture some market share. The demand for takaful insurance products is expected to gather speed in the next few years.

Ben Faulks

Moving on up

Ben Faulks, Credit Analyst, Standard & Poor's Ratings Services, on the emirate's economic outlook

RAK has, in recent years, enjoyed strong economic growth, lifting wealth to levels consistent with Standard & Poor's 'A' rating category. RAK's exposure to the economic developments in neighbouring Dubai and in the overall region, as well as to geopolitical risks, is a constraint on its sovereign ratings.

Since the appointment of Sheikh Saud bin Saqr Al Qasimi as Crown Prince in 2003, RAK has witnessed a substantial transformation of its economic base. The Crown Prince has energised the emirate's economy by promoting investment and diversification away from its earlier emphasis on manufacturing and oil and gas exploration, into tourism and real estate. He has changed the management of state-owned enterprises that were not performing strongly and approved the centralisation of fiscal accounting. The growth in neighbouring Dubai and the wider Gulf Cooperation Council region has contributed to the country's strong economic performance and underpinned rising demand for the emirate's' main industrial and mining products – cement, aggregate, ceramics and glass. This has invigorated the emirate's economy, providing a substantial footing for future growth. Real GDP averaged almost 17% in 2005 and 2006, up from less than 6% in 2003 and 2004.

Unlike most of its Gulf peers, hydrocarbons are of limited importance to RAK's economy. Services accounted for about two-thirds of GDP in 2006, and this will increase as services, driven by tourism and real estate, are at the centre of RAK's growth strategy. The government aggressively develops land with private partners, with its land contribution being exchanged for an equity stake. The government aims to attract increasing numbers of businesses to establish themselves under the aegis of the RAK Free Trade Zone, which bypasses federal laws over agents and ownership (100% foreign ownership is permitted), and speeds up visa procedures. Such developments bode well for future growth. That said, a slump in demand from Dubai and the broader region, combined with the global real estate correction and sharp fall in oil prices, are likely to have adverse effects on economic growth.

The federal government pays for most of the expenditures for the UAE's seven emirates. These include health care, education, energy provision and defence. It also pays for major capital costs – such as the development of schools, hospitals, roads and the provision of energy generation and distribution.

As a consequence, RAK has limited fiscal obligations for local infrastructure and services – and very little debt (estimated to be 17% of GDP at year-end 2007). Government assets are dominated by domestic equity holdings, raising some uncertainty over their fair value and liquidity in the event of domestic stress. Taking into account the government's holdings of liquid assets, at the end of 2007 RAK boasted a general government net asset position estimated by Standard & Poor's at around 25% of GDP. RAK is expected to maintain relatively modest levels of debt going forward. However, it has fewer net assets than most of its regional peers.

Standard & Poor's stable outlook for RAK reflects the balance between the emirate's exposure to the economic fortunes of the larger emirates and the broader region and the risks posed by geopolitical issues. Downward pressure on the emirate's rating could result from a sharp fall in demand for RAK's main outputs that might follow a downturn in regional economic fortunes, a worsening of regional geopolitical tensions, or a deterioration in Abu Dhabi's creditworthiness.

Major rating factors for RAK

Strengths

- Support from the federal government of the UAE and the likelihood of extraordinary support in case of financial stress
- Limited expenditure responsibilities under the UAE federal structure, leading to considerable fiscal flexibility
- Wealthy economy and strong long-term growth prospects

Weaknesses

- Vulnerability to economic developments in the UAE and Gulf region
- Geopolitical risks in the Gulf region

Transport

Tackling the increase in road traffic
Infrastructure development supports ongoing growth
Planning for the national railway nears completion
Port cargo capacity set to be increased

Limestone aggregates are among the emirate's main exports

Network building

Expansion is planned for nearly every segment

The government is planning to spend $272m in the next decade developing the emirate's road network, investment made all the more pressing by an increase in road traffic.

Ras Al Khaimah has been a nexus of long-distance trade for centuries, a position underscored by the large collections of imported pottery, such as blue and white Chinese porcelain, on display in its national museum. The 18th century fort that now houses the museum, whose heavy cannons were once trained on Gulf waters, is testament to the fierce defence of a much-coveted trade centre. There are no hostile invaders now, but there is an increasing influx of tourists, expatriates and businesses due to the robust growth of the emirate's economy. To sustain these rising numbers the government has set in motion a raft of transport infrastructure projects that include expanding the ports, airport and roads.

EXPANSION: The government plans to invest more than $150m in RAK International Airport in the next 20 years for new cargo and passenger facilities. One of six international airports in the country, RAK International Airport has seen a sharp rise in the movement of commercial and non-commercial aircraft. RAK has also become an increasingly popular vacation destination, seeing a 28% increase in the number of tourists visiting the emirate in 2007.

The airport is angling to become a cargo centre, as the emirate has an excellent road network and good access to the rest of the UAE, giving RAK the opportunity to ship goods throughout the region. Furthermore, some Dh1bn ($272m) is to be spent in the next 10 years on developing the emirate's road network, according to government officials. This has been made more pressing by the sharp rise in the number of vehicles on local roads. The total number of vehicles reached 18,793 in 2007, a 7.3% jump on 2006. The amount of trucks across the UAE is also surging and is expected to reach 1m by 2015. A key factor in connecting RAK to the rest of the UAE was the opening of the six-lane Emirates Road in 2005. This has reduced driving time to Dubai to 45 minutes and means that there will be increasingly traffic, investment and a greater need for infrastructure.

The first phase of a new national railway to transport both freight and passengers is expected to be ready by 2011, with the entire project due to be completed by 2015.

In a move that will undoubtedly help reduce congestion, a UAE national railway network is in the final planning phase. The first phase of the national railway, which consists of freight and passenger transport, is scheduled for completion by 2011 and the entire project should be wrapped up in 2015. Trains would be ideal for the transport of raw materials around RAK and would complement the emirate's heavy industrial base of aggregates and cement. Containers from its ports could be carried to other emirates, as traffic in the Gulf will become even more crowded. There are currently about 1000 big tankers and some 5000 commercial ships in the Gulf. Sami Saqr, the director of the RAK Finance Department, told OBG that in five to 10 years this could reach 35,000 to 40,000. Cargo companies coming to RAK can utilise the container transport potential of trains. Port facilities will need to be upgraded to meet the demand.

MOVING FORWARD: Saqr Port is the main port in RAK and one of the biggest bulk and general cargo ports in the Gulf region, importing raw materials to support local industry as well as exporting manufactured materials for the construction industry throughout the region. The port is located near the Strait of Hormuz and is adjacent to the biggest limestone quarry and some cement factories. It was built in 1977 for the export of crushed rock and aggregate from local quarries. A container terminal was added in the early 2000s. Exports thus far have mainly consisted of limestone aggregates primarily bound for Qatar, Kuwait and Bahrain. There are also shipments of crushed limestone to the steel industries in India that total about 2m tonnes a year, and there is now an increased amount of business supplying raw materials for cement factories in the region.

The port's biggest import is clinker for the cement factories. The amount of clinker coming in increased from 2.6m tonnes in 2007 to 3.1m in 2008, a gross increase of 19%, according to port records. Coal

imports increased by 68% from 387,000 tonnes in 2007 to 654,000 tonnes in October 2008, as, owing to the shortage of power and the high price of diesel and gas, cement factories have been using coal-fired units. Exports account for 75% of handled commodities, while imports make up the rest.

At the end of December 2007 the port had handled 25m tonnes. In 2008 this reached 30m tonnes for all commodities. The majority of this was bulk material. Naser Bustami, the general manager of the Saqr Port Authority, told OBG that in 2009 he is anticipating an increase in cargo handling of up to 32m tonnes. The port has eight deep-water berths at a length of 200 metres each and has been dredged to 12.2 metres at low spring tide. An expression of interest has been sent out to all the major marine consultancies to submit a marketing and technical study on the new expansion of Saqr Port.

CONTAINER BUSINESS: The Kuwait and Gulf Link Port International Transport Company (KGLPI) manages the port's container terminal under a 21-year build-operate-transfer concession. KGLPI has already invested some $70m in the terminal. The 200,000-sq-metre terminal opened in April 2007 but saw limited traffic that year, with the bulk of business coming from feeder vessels. However, business picked up considerably in 2008 with the arrival of the United Arab Shipping Company (UASC) Asia Gulf Express (AGX) Line service and the India/Middle East/Red Sea (IMR) service, a weekly Maersk Line service and regular car carrier service that operates between South-east Asia and the Middle East, according to a company release. Lines accessing the terminal also include Dubai-based Star Feeders, operateing a lower Gulf feeder service with connections to India; Orient Express Lines in Dubai and Singapore-based Sea Consortium, also operating between RAK and a clutch of Indian ports; and Simatech Shipping, a regional feeder, picking up local exports bound for Iraq.

The productivity rate has been one of the best in the Gulf, KGLPI said in a statement, noting that the UASC vessels have been receiving 30 gross moves per hour per crane at the RAK terminal. The regional average is 26 gross moves per hour per crane. Throughput for 2008 was estimated at 90,000 twenty-ft equivalent units (TEUs) and is expected to hit 200,000 TEUs in 2009. According to the company, around 70% of containers are trans-shipment bound for Saudi Arabia, Kuwait, Bahrain, Qatar, Iraq, Iran and other UAE ports. The remaining 30% is local cargo. The terminal's roll-on/roll-off (ro/ro) operations are also gathering steam, as the port has seen regular import shipments of Toyota cars and Isuzu trucks, which are mainly for the UAE market, but also for re-export to other Gulf countries. Ro/ro operations also involve the import of heavy machinery, earth moving equipment and excavators to meet demand from the region's construction industry.

CAPACITY: The Al Jazeera Port was opened in August 2003 and is the prime port for handling rock and aggregate and shipping them to destinations in the UAE and around the Gulf. The port also does floating repair work. Capt Haytham Mukattash, the general manager of Al Jazeera Port, told OBG that the port is of modest size, the jetty and service areas are at full capacity, and there is only minor activity for small general cargo ships due to the restricted draft.

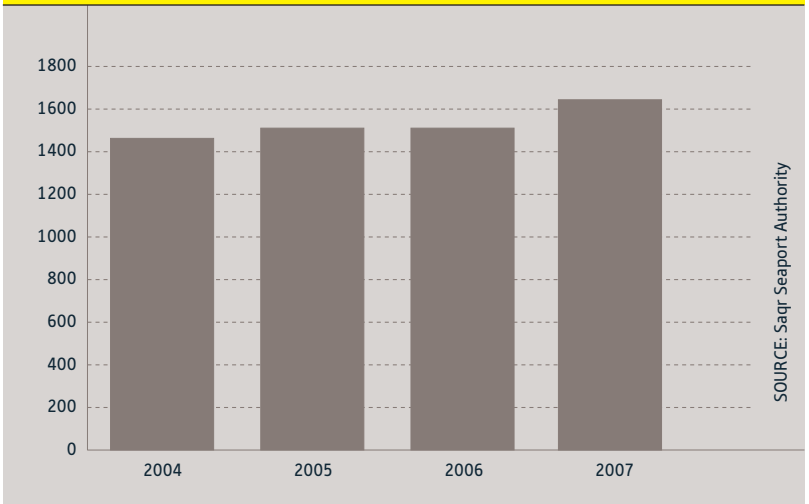
RAK International Airport currently has two corporate jet operators

"We are thinking of new measures to utilise the port, make it profitable and generate more money," he said. One of these measures is a new dry dock, which, according to Mukattash, is a landmark project and will be a major source of income. He noted that the dock would be completely modern, utilising all the current technology. Work started in May of 2008 and should be wrapped up by the summer of 2009. The dry dock will have 12 dry berths, eight of which will be 60 metres long and 30 metres wide and four of which will be 60 metres long and 19 metres wide. There will also be a 55-by-18-metre lift that will accommodate 60-metre-long vessels. Its lifting capacity will be 1000 tonnes.

Port officials are considering outsourcing some of the work to private repair companies. The main

A new dry dock at Al Jazeera Port will feature 12 dry berths and a 55-by-18-metre lift with a lifting capacity of 1000 tonnes. Construction is ongoing, with completion expected in the summer of 2009.

Number of cars imported via Saqr Seaport, 2004-07



Approval has been granted for the construction of two new terminals at RAK International Airport, along with the upgrade of existing terminals and the expansion of runways.

clients are expected to be offshore marine and shipment firms that have small vessels and large tugboats. "The return on investment is expected to be high, as the investment in the dry dock will double revenue from the current levels," Mukattash said. The investment in the dry dock amounts to around Dh150m ($40.8m). There has been a lot of other work on infrastructure around the port, such as installing new sewerage, buildings and sheds. There have been signs that business is picking up. In 2006 the port received 1330 vessels and handled 9.8m tonnes of cargo. In 2007 the number of vessels increased to 1697 and cargo went up to 12.5m tonnes. By October 2008 Al Jazeera Port received 1417 vessels and handled 11.1m tonnes of cargo. Some 85% of the cargo is rock and aggregates.

RAK Khor Khwair Port is the smallest of the three ports in terms of throughput and handles cement and aggregate bound for destinations within the UAE and around the Gulf. The port also offers minor repair work and is extending its range of services to handling containers, general and ro/ro cargo.

TAKING FLIGHT: RAK International Airport is set to receive a major makeover in the coming years. A master plan has been finalised and approved that involves constructing two new terminals to be built in phases and the upgrade of existing ones, which will increase capacity to 1.5m passengers per year. There will also be a cargo terminal, a new airport apron, expanded runways, automated warehouses, a free trade zone, flight schools, offices and restaurants. The project will cost a minimum of $150m, which will be spent over the next 20 years. The plan comes against the backdrop of a sharp rise in traffic. According to the airport, in 2007 there were 8623 movements of commercial and non-commercial aircraft against 4144 in 2006, marking a 108% increase. Currently cargo property development generates more than 50% of the airport's revenue. The existing cargo terminal is 1079 sq metres and houses handling areas as well as cold and secure storage space. A new cargo terminal will add an additional area of 1855 sq metres.

Officials are also working hard to increase passenger traffic. The airport received close to 208,000 passengers in 2007 and will likely see 250,000 in 2008. The goal for the next five years is to see between 15% and 20% annual growth in passenger traffic. Towards this end RAK Airport and RAK Tourism, which is tasked with promoting and supporting the local tourism industry, have joined forces in marketing the emirate. Indeed, there is a growing awareness of RAK as a tourist destination thanks to RAK Tourism's aggressive marketing campaigns. The emirate's increasing popularity among tourists is reflected in hotels' high occupancy rates, which can reach up to 93%, as many visitors are now coming from Europe on charter flights. The hotel rates in RAK are

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RAK Transport Authority
PO Box 459, Ras Al Khaimah, UAE
Contact Person:
Jason Farhat
Director of Commercial and Investment Affairs
Tel: +971 7 2356567
Fax: +971 7 2356564
invest@raktransport.ae

also very competitive, as they are about 40% below those charged in Dubai, Sharjah or Abu Dhabi.

NEW TARGETS: RAK Airport has also put a lot of effort into attracting new airlines. Under its marketing strategy, the airport is angling for two to three new airlines to start operations within the next year. Within two years this figure is expected to increase, Allan Lee, the director of aviation business development, told OBG, adding that an advantage is that the landing and parking fees for airlines are much lower than other airports in the UAE. The target is to attract low-cost and regional carriers and holiday traffic from Europe rather than long-haul carriers, and especially legacy carriers, as they would need a bigger network for transit passengers. The plan is also to bring in scheduled airlines – currently just charter operators are set up at the airport. At present, there are two corporate jet operators at RAK International Airport and more are expected soon.

Flight schools are also poised to become big business. Four have already been licensed and two are active, with a combined 250 graduates, Capt Saeed Ali Abdullah Almadhani, the manager of Civil Aviation Services and Security for the RAK Department of Civil Aviation (DCA), told OBG. Dubai Aerospace Enterprise flight academy has moved training facilities to the emirate and at the end of 2008 was in the final stage of finishing off the aprons, which once completed will see some 40-50 small aircraft. Saeed noted that the DCA is actively promoting this line of business as other airports in the region do not have any available airspace. He added that the emirate is looking to redesign the air space to facilitate more aircraft as well as to lock up agreements for more air traffic rights.

The Indian Aviation Academy group's IAA Flying Academy opened a flight school in RAK in January 2008. Ithas about 20 students and provides basic commercial pilot licences. Private flight operators such as Infinity Aviation, which operates executive jets for corporations, is also expanding to RAK. "The demand for private jet services in the UAE is growing," said Sheikh Salem Sultan Al Qasimi, the chairman of the DCA. "We have two operating private jets companies, Infinity Aviation and Dana Executive Jets, and one more is in the process of licensing."

LOGISTICS: Airport and port expansion means that the logistics and warehousing business will be huge. Most warehouses in the emirate are already full and it is estimated over the next two years some 1.5m sq metres of warehousing space will come on-line. Logistical infrastructure was enhanced in 2007 with the establishment of RAK Global Logistics Park and Inland Container Depot set up by Global Logistics, a joint venture between RAK Ceramics and Global Cargo Systems, a major freight forwarder in the region.

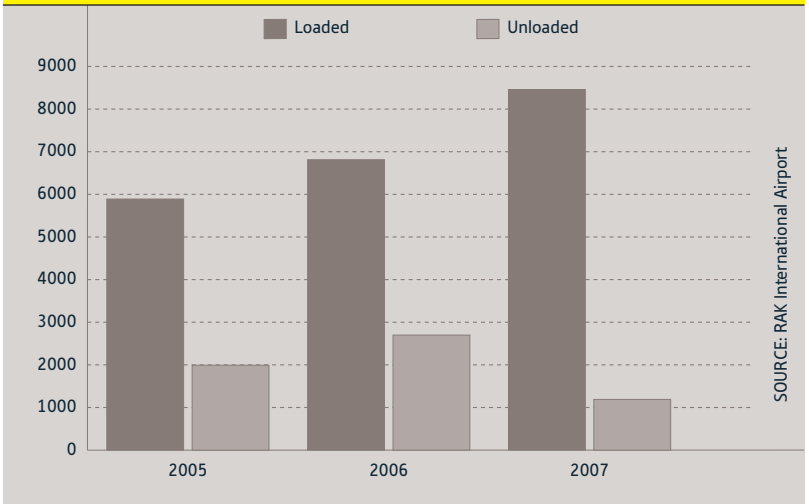
The logistics park, which is in the industrial zone in Al Jazeera Al Hamra, has warehousing space of 2500 sq metres, as well as a 12-metre-high racked warehouse that can store and distribute around 10,000 cu metres of cargo. The Inland Container Depot covers 20,000 sq metres and is equipped to handle 1500 TEUs. There are also propositions for a 10,000-sq-metre bonded warehouse, officials at Global Logistics told OBG. To support the operations a new company was formed called Global Transport, which has around 50-60 trailers. There has also been increased recent competition from companies moving into RAK from Dubai. Nevertheless, Global Logistics sees a host of opportunities in the emirate, given the vast tracts of undeveloped land which could be filled with a large-scale freight terminal. The company is also possibly looking to take over airfreight, and if more aircraft start to arrive it will look at ground handling and warehousing.

Construction materials form the bulk of throughput at RAK's ports

Logistics and warehousing will see rapid growth in the emirate as a result of the airport and port expansion programmes, with around 1.5m sq metres of new warehousing space expected to appear within the next two years.

OUTLOOK: With growth in investment and RAK's reliance on heavy industries such as aggregates and cement, the transport sector is seen as a lynchpin for the emirate's development. The government has taken great strides in expanding infrastructure and is determined to transform the emirate into an advanced transportation centre. It appears that all the key ingredients are there for this to occur.

RAK Int'l Airport cargo movements, 2005-07 (tonnes)



There are plans to add a new lane to the main road through RAK

Cross-town traffic

The government is working to accommodate the increasing number of vehicles on local roads

The RAK Transport Authority is planning the construction of a major new transportation centre for buses and taxis, with implementation expected by the end of 2010.

A growing population, a flourishing tourism industry and the arrival of a large number of international industrial players have all contributed to the recent appearance of more luxury cars, automobiles and motorcycles on the emirate's streets. Indeed, RAK's expanding free trade zone has sparked an influx of technicians, engineers and other skilled workers due to RAK's liveability and affordability.

Furthermore, one can operate a business in RAK for one-third of the cost of doing so in Dubai. This is mostly thanks to the six-lane Emirates Road, which has put the emirate within a popular commuter belt. The road, which opened in 2005, has also made the emirate's international airport a very viable option for visitors arriving in the UAE.

CARS ON THE RISE: The RAK Transport Authority, in turn, has been busy in its bid to address these fast-moving developments and accommodate the growing number of vehicles on local roads, which reached 18,793 in 2007, representing a 7.3% jump on 2006. The number of trucks across the UAE is also surging and is expected to reach as many as 1m by 2015. The supply of cars in the meantime has been stable, with Toyota being the major player in the region.

One plan to counter congestion is to open up another lane to the main road through RAK, which should ease the bottlenecks that have begun to appear during rush hours. Jason Farhat, the director of commercial and investment affairs at the RAK Transport Authority, told OBG that the institution has a plan for the construction of a major transportation centre for buses and taxis, targeting all aspects of RAK public transportation, which will house a service centre with state-of-the-art facilities.

The blueprint is expected to be finished in the second half of 2009 and implementation will take six months to a year to finalise. In addition, the Transport Authority is currently working on a feasibility study for a possible limousine service that would include stretch limousines and stretch cars for both corporate and entertainment purposes. The limousines could also be used to transport clients to other emirates, according to Farhat.

TAXI TAKEOVER: Public transport will also get a significant boost in order to meet the needs of the growing population. Farhat said a total of 1600 taxis would be on the roads by the end of 2009. Some 442 new taxis had already been introduced in 2008.

The emirate is home to a total of three taxi companies, Al Hamra Taxis of RAK, Al Arabia Taxi of Sharjah and Cars Taxis of Dubai. These companies all operate under the aegis of Al Hamra, which in turn belongs to the RAK Transport Authority. The authority is at present working to gradually phase out the old yellow and white taxis, and will pay the owners of the old taxis a lifetime compensation so as not to simply wipe out their livelihoods.

The authority has also signed a contractual agreement with Al Hamra Buses, as well as an agreement with MobiSat, for the launch of the Al Hamra Call Centre, which will work through a GPRS system. "It will be a dispatching centre where we can locate all taxis for public means," Farhat said.

He added that it will be possible to expand the service to the private sector. The centre could also be tasked with serving government entities or public transport operators that are in charge of shuttling labourers to RAK's construction sites.

The increase in traffic throughout the emirate has also led to concerns about pollution, and there will be efforts to remove vehicles over 20 years old from the roads. The older vehicles in poor mechanical condition and those using cheap fuels, especially diesel, emit most of the dangerous gases that harm the ozone layer and can lead to global warming. Therefore, the Environment Protection and Development Authority in RAK has also implemented a new system that will require periodical mechanical check-ups of old vehicles, heavy trucks and their gas emissions in a bid to curb pollution in the emirate.

Sheikh Ahmed bin Saqr Al Qasimi

Point of entry

OBG talks to Sheikh Ahmed bin Saqr Al Qasimi, Chairman, RAK Customs and Port Department

What is the status of the emirate's port upgrading plan and what kind of a role do you believe foreign investors will play in this effort?

SHEIKH AHMED: These are all ports that are already operating and generating income. For example, at RAK Port, which is under the direct management of the Customs and Port Department, we have improved the berths and opened new warehouses that are currently rented by the RAK Investment Authority to their clients. Meanwhile, we are looking at several opportunities to use the land that is available behind the port, either by developing an environmentally friendly project or opening bigger warehouses. We hope to increase the income from Customs duties at this port by at least 50% in the next five years. We are also planning to use income generated by all the ports to continue upgrading our port facilities and customers' services. Several finance firms and banks are ready to finance our projects if necessary. We also welcome any foreign investors to invest in any of the ports projects, as they will play a major role in developing the business in RAK.

How will the new cargo logistics park and container depot impact RAK's economy?

SHEIKH AHMED: As most goods are shipped by containers today, the container business plays a major role in sea transport. Moreover, raw materials are increasingly being shipped in containers, so we are expecting to generate strong income through Customs and port duties at the container terminal. The logistics park and container depot will bring more businesses to the ports, boosting the RAK economy. Saqr Port will benefit the most from the new facilities as it can handle bigger capacity ships.

What is the importance of the new Al Jeer Port?

SHEIKH AHMED: Situated on the border with Oman, Al Jeer Port is designed to cater to the importation of livestock to other emirates and Gulf Cooperation Council (GCC) countries, as it is one of the recognised livestock entry points for the GCC region. After having delayed the opening of the port in 2008 due to power supply issues, which have since been resolved, the port is now functioning at full capacity. For example, thanks to this port, we can now import livestock directly from Iran, without passing through Oman. Its strategic location will allow the port to play a major role in increasing livestock imports throughout the region. Looking further into the future, we plan to diversify the goods handled at this port over the next five years.

Given the regional competition in the logistics market, how will RAK set itself apart?

SHEIKH AHMED: RAK is the gate to the Gulf region. Our aim at the Customs and Port Department is to deliver the best service possible through efficient facilities and Customs services, as well as competitive rates. We aim to provide a friendly business environment and quality services to our customers. In order to better understand their needs and expectations and improve our services, we are currently developing a survey that will be sent to the companies this year. We believe that the emirate's ports are able to compete with all of the ports throughout the GCC region and that we are prepared to take our fair share of the maritime business.

What will the Customs and Port Department do to maintain security at the port?

SHEIKH AHMED: Safety and security are critical for us. We are following the UAE's federal rules and regulations and cooperating with all of the concerned agencies, such as the police and coast guards. Moreover, all of the UAE's ports are working together and following the same regulations. We are also using very advanced scanning systems and counter-smuggling technologies. Thanks to our strict system, we have so far not registered any major problems.

Naser Salem Muradad

System upgrade

OBG talks to Naser Salem Muradad, Chairman of the Board, RAK Transport Authority (RAKTA)

To what extent does the agreement signed between RAKTA and Al Arabiya Taxi to launch Al Hamra Buses indicate a shift in policy?

MURADAD: The main mission of RAKTA is to serve the public with efficient transportation services. Since we introduced the first fleet of public transportation with three major franchised companies – Al Arabiya, Al Hamra and Cars – the taxi transport system and subsequently its safety have been improved considerably. We currently have 800 taxis available in RAK and a total of 1600 taxis will be on the roads by the end of 2009. We ensure the education of taxis drivers, who take driving lessons and courses that provide them with knowledge about RAK and customer service skills.

In addition, we are investing Dh800m ($217.8m) to develop public bus services. Under our agreement with Al Arabiya Taxi, in 2009 we will introduce a fleet of 75 buses. Al Hamra buses will connect various places in RAK with a total of 35 buses and will provide bus services between points in the emirates with 40 buses. The buses will facilitate travel around the UAE and reduce the traffic congestion in the emirate. The public bus services would be a further improvement for RAK residents, especially the low-income earners, as buses would be a cheaper and easier transportation option for them.

Within this partnership, we are also developing the Al Hamra Call Centre, which will not only serve our taxis and buses but also entities from both the private and public sector. Through the dispatching centre and general packet radio service system, the companies will be able to track and communicate with their fleet, assuring a more efficient logistics system. In addition, we are studying the possibility of introducing limousine services for both corporate and entertainment purposes. Our aim is to provide both residents and visitors all the transportation services they need while within RAK, while also connecting them to the other emirates.

How is the emirate working to upgrade its road transportation system and decrease traffic?

MURADAD: With a growing economy, RAK's population is expected to increase from 250,000 today to 750,000 by 2020. Based on this projection, we are working with an international infrastructure development consultancy firm, Halcrow Group, to study the needs of our transportation system and define a traffic plan for RAK for 2020. The infrastructure and design is almost ready.

Moreover, in cooperation with the transport authorities in the other emirates and within the national transportation committee, we are trying to tackle the problem of traffic congestion in the UAE. In RAK, the Crown Prince, Sheikh Saud bin Saqr Al Qasimi, has created a special committee to study the feasibility of transporting goods and raw materials by train. With the important industrial activities in the emirate, road traffic and infrastructure are indeed affected by the numerous trucks in circulation. Raw materials form the backbone of RAK's economy so we are working on improving the heavy transportation system. The results of this study should be revealed in the near future.

What initiatives are being taken to improve RAK's road safety and educate drivers?

MURADAD: We used to have many accidents in the emirate because many drivers did not have any education and understanding about road safety. Since October 2008, we have used a traffic academy that provides eight hours of theoretical driving lessons for driving licence applicants. Starting in June 2009 the courses will also be compulsory for drivers who lose their licence. Applicants who are 18-years-old are able to obtain a one-year driver's licence that can then be renewed for two years. At the age of 21 and after the study of the driver's records, the driver would then be eligible for a 10-year licence. We have also initiated a point system for getting licences.

Energy

Looking at home and abroad for more power supplies
Cement plants turning to coal as a viable fuel source
Efforts under way to reduce consumption by 45-50%
New island showing benefits of solar power

Some $100m is being invested in the emirate's gas infrastructure

Filling the gap

The emirate is lining up solutions to facilitate growth

Power generation is the responsibility of the UAE federal government and is controlled in the Northern Emirates by the Federal Electricity and Water Authority.

RAK has undergone unprecedented economic growth in recent years and the government has pursued a massive development plan with the construction of new schools, universities, factories and residences. The challenge now is to keep pace with the energy supply that will be necessary to keep all of these new developments running smoothly.

Power generation is the responsibility of the UAE's federal government and is controlled in the Northern Emirates by the Federal Electricity and Water Authority (FEWA). In response to soaring demand, FEWA has earmarked some $15bn for increasing power and water supplies to RAK, as well as its neighbouring Northern Emirates, over the next 10 years.

For now, the emirate will remain dependent on imports, as it has limited hydrocarbons reserves. Of the UAE's 97.8bn barrels of oil reserves, RAK holds 0.1%. The emirate currently has around 0.6% of the estimated 212trn cubic ft (tcf) of natural gas reserves in the UAE. Combined, oil and gas reserves contribute around 4% to RAK's economy.

Production had previously taken place in the Saleh Field, which is now depleted and currently produces only about 100 barrels per day of condensate.

SEEKING SOLUTIONS: This situation has prompted the RAK Gas Commission (RAK Gas) to seek solutions, and it is now investing some Dh367m ($100m) in infrastructure and beginning to work with other producers to provide natural gas. Notably, RAK Gas has signed an agreement for the processing and purchase of gas from the West Bukha field, located offshore from Oman's Musandam peninsula.

At the same time, the Pearl Development Company, a Colorado-based engineering and energy services consulting firm, designed and executed the Atlantis Gas Plant, a sour gas processing facility, which was integrated into an existing 24-year-old facility north-east of RAK City at the Port of Khor Khwair.

The emirate's authorities have stepped up efforts to expand the power supply and they hope to boost capacity significantly in three to five years.

The 92m standard cubic ft per day (mmscfd) sour natural gas processing plant has more than tripled the processing capacity of the RAK Gas-operated plant at the port.

MEETING DEMAND: Meanwhile, RAK authorities have stepped up their efforts to address the shortage and have said they expect the problem to be solved within the next three to five years. One move in this direction is the addition of four new power plants with a combined capacity of 740 MW, which are to be built by the RAK government. There are also plans on the drawing board for a 2000-MW plant.

While FEWA has been providing some power to the emirate's industrial areas, the expansion of RAK's industries and its power requirements have grown to exceed the current available supply. As FEWA alone cannot meet RAK's needs in the energy sector due to the emirate's ongoing development, the RAK Investment Authority (RAKIA) planned for power plants that could take on the load.

Eventually, three power plants were commissioned, including an 80-MW plant at Al Ghail Industrial Zone and another 45-MW plant called Al Hamra 1, both of which will be fully operational by the end of April 2009. These two plants are expected to cost a total of $120m. Another plant, Al Hamra 2, is in the tendering stage, in addition to another coal-based power plant at Mina Al Saqr, which will produce 600-3000 MW of power after the first phase. The project is presently under the feasibility study stage.

While the Al Ghail power plant is dedicated to the industrial area, Al Hamra 1 will meet the immediate requirement of the region, supplying power to the many industrial projects in the RAKIA free zone, Al Hamra Village and RAK warehousing areas. Al Hamra 2 is being built for the future development in the region, and later, both Al Hamra 1 and Al Hamra 2 will eventually become one grid.

The government will own all of the plants and charge customers the same as FEWA, according to officials. While FEWA in RAK has a 550-MW capacity, power plants at RAKIA will add an additional 250

MW of power and are set to come on-line within a year. The RAKIA units will provide around one-third of the emirate's power needs.

The government controls nearly all of the UAE's utility resources, with the sector in the Northern Emirates under the jurisdiction of FEWA. Abu Dhabi has taken steps to open up its power and desalination assets to private capital. This approach picked up steam after 2007 when the federal government approved private participation in the Northern Emirates' utilities sector, under guidelines established by FEWA. Khater Massaad, the chief executive of RAKIA, has said the authority is in talks with FEWA regarding drawing investment to the emirate's utilities sector under a public-private partnership model. "Under the auspices of RAKIA, we are trying to attract utilities companies to partner with us to develop power and water desalination projects to meet the growing demand," he said.

INDUSTRY GROWTH: Meanwhile, the planned power plants will prove a boon for the emirate's growing industry sector, which uses some 35-55% of RAK's power supply and is currently feeling the energy crunch. Factories have mushroomed across the emirate owing to a friendly business environment and land availability. "Everyone now requires power but Dubai has limited space and more processes to start business," said Frank Schmelter, the design manager at Cladtech International, which makes aluminium, glass, doors and windows at its RAK facility. "It is less expensive here per sq metre than it is in Dubai for a sq foot. Once the power problem is solved, development will be unstoppable."

The industrial districts of Al Hamra and Al Ghail, where the bulk of the emirate's heavy production facilities are located, received a boost when RAK Gas built and opened a new gas distribution centre in Madfak, connecting the gas pipeline network of the Emirates General Petroleum Corporation (Emarat) that runs throughout the Northern Emirates with the Al Hama industrial area. The new station allows gas that is produced in RAK to be pumped into the network and delivered straight to local customers. The station will supply the gas network for the next 10 years with an average of 50,000 British thermal units of gas per day and is expected to generate a net profit of Dh228m ($62.08m) over those 10 years based on current gas transportation tariffs.

Many real estate developers have had to rely on their own generators for projects. One contractor working on a major project in the emirate told OBG that a 1500-person residence area for labourers alone consumes 2.5-3 MW per day. One of the largest developers, Rakeen, is in charge of several large projects, such as the Dh5bn ($1.36bn) mixed-use Gateway City, which will all need power. Rakeen has reported it has plans in place to meet the power needs of its developments, but it cannot answer for developers who sometimes start over-ambitious projects.

Speaking to the local press, the executive director of supply at FEWA, Hassan Abdullah Al Ghasyah, said,

Planned power plants will be a boon to the industry sector, which uses 35-55% of RAK's energy supply

"Unplanned developments could cause a major shortfall in water, electricity and drainage, which could take years to remedy. The local authorities have not coordinated with FEWA on the precise water and power requirements for the abrupt development that is now being seen in the Northern Emirates."

Part of the emirate's energy needs could be met by alternative energy sources. One plan is to harness solar energy. Testing is under way on the prototype for a Dh18m ($4.9m) Solar Island to produce around 250 KW of electricity by the beginning of 2009, according to the Swiss Centre for Electronics and Microtechnology (CSEM), the company that has introduced and is overseeing the project.

The 88-metre-diameter island will generate steam from solar energy that will then be converted into electricity to provide a 24-hour electricity supply. The solar power will be used for water taxis, parking meters, streetlights and bus shelters, as well as for around 200,000 homes.

COAL-FIRED: The RAK government is also investing heavily in coal as an alternative energy source. Cement plants in RAK are already beginning to use coal as it is becoming a cheaper alternative to gas. Coal imports through the emirate's main Saqr Port have increased from 387,000 tonnes in 2007 to 654,000 tonnes in October 2008, representing a 68% jump. "Due to shortage of gas, which is regarded as the main source of energy in the cement industry, factories are looking to alternatives such as diesel and coal," Abdullah Mohamed Al Sayyah, the general manager of RAK's Union Cement Company, told OBG.

The shortage has started to take a toll among RAK's industries, with its major cement companies labouring to stay in the black. The RAK Company for White Cement and Construction Materials reported that its 2007 profits dropped by 21% compared to 2006 owing to high energy costs. At the same time, the RAK Cement Company's net profits dropped 56% to Dh54.9m ($14.95m) in 2007 against Dh125.7m

More cement companies are beginning to use coal as a cheaper alternative to gas, and imports of the fuel source at Saqr Port increased 68% between 2007 and October 2008.

The bulk of the emirate's gas has come from Qatar's North Field and travels quite a distance to get to RAK

($34.23m) the previous year. The company reported that the decrease stemmed from the massive increase in the cost of fuel, noting that its energy bills rose from Dh96.4m ($26.25m) to Dh145m ($39.48m).

MINERAL VENTURES: There are also plans to look to other countries for energy feedstock. In early 2006 the government formed the RAK Minerals and Metals Investments (RMMI), a 50:50 joint venture between RAKIA and Trimex Group, one of the Middle East and Indian subcontinent's largest industrial raw mineral conglomerates. RMMI was founded as part of the government's strategy to cater to the growing demand for industrial minerals and metal resources for its various industries, as well as to cater to emerging markets such as Africa, Eastern Europe and East Asia. RMMI officials said its investment potential in these markets is estimated to be around $1bn.

In Indonesia, RMMI signed an agreement in 2008 with the South Sumatra government for the development of an industrial city and bulk cargo handling port. Central Sumatra has estimated coal reserves of around 3bn tonnes. In addition, RAK recently has inked two government-to-government agreements with Indonesia's East Kalimantan province for the development of a special railway network and coal jetty to support the operation of a coal property in the region of East Kutai.

Indonesian coal exports increased from 53.4m tonnes in 2000 to 181m tonnes in 2007, according to data provided by RAKIA. Indonesia is the world's fourth-largest producer of coal and the largest exporter of thermal coal. Indonesia is expected to produce 205m tonnes of coal in 2008, of which some 52m tonnes will meet domestic needs and the rest is expected to be exported, Madhu Koneru, the managing director of RMMI, told OBG. He said coal is already being explored as an alternative energy source.

Koneru said the argument for coal is that it is a more "manageable energy commodity that is more scalable than oil for electricity generation and more affordable and cost effective than oil and gas". He also said, "Direct investment in coal mining is a solution which minimises any impact that price spikes can have."

The emirate has plans to look to other countries to supply its energy feedstock. RAK has signed agreements so far with Indonesia's South Sumatra and East Kalimantan governments.

SEEKING GAS: However, natural gas will still remain important in RAK's energy mix. RAK Gas is pumping about $100m into its gas network infrastructure and is also tying up with other producers to supply natural gas to the emirate's burgeoning industrial sector. RAK needs 250 mmscfd, Ruurd Abma, the chief operating officer of RAK Gas, told OBG. At present RAK Gas provides around 120-130 mmscf of gas.

In a bid to address the shortage, RAK Gas has looked elsewhere for its supply. It constructed a 75-km pipeline to bring in gas from an Umm Al Quwain field that provided RAK with 80 mmscf by end-2008, he said. RAK Gas also signed an agreement with Novus Oman for the processing and purchase of gas from the West Bukha field, located offshore of Oman's Musandam peninsula. There are hopes the agreement will help significantly narrow the emirate's energy gap. Around 40 mmscfd will be delivered through a pipeline to RAK, and RAK Gas expects the West Bukha field will eventually supply the RAK cement industry with gas for five to 15 years.

The bulk of the emirate's gas has come from Qatar's North Field, which passes through the Dolphin Energy Company's gas processing plant at Ras Laffan in Qatar. Dolphin has been supplying RAK with 40 mmscfd of gas from Oman through a tie-in between Dolphin's Al Ain-Fujairah pipeline and the existing Emarat gas pipeline network that serves the Northern Emirates. Owing to the logistics of getting gas to travel such a great distance along a pipeline, the contract was actually a swap arrangement with the BP Sharjah Oil Company. An agreement with Dolphin was then renewed. Abma told OBG that Dolphin kept the gas price at the same level as in 2008, despite lower oil prices. Compared with alternative fuels like liquefied petroleum gas (LPG), the gas price is still quite competitive. Taking a more long-term view, Abma said the emirate would need to get gas from elsewhere outside the UAE.

The company, in partnership with Dubai-based oil and gas explorer Black Marlin Energy, has locked up a 25% participating interest in the Nyuni block on the Tanzanian coast. The companies expect to find gas and gas condensates. Output will then be sold to power industrial users in Tanzania. Abma said that once the companies complete bureaucratic requirements the gas will start to flow.

Back at home, RAK Gas's major clients have been the cement factories. However, as the price of coal becomes cheaper, plants will start to switch over. Therefore, the gas distributor is now looking to the emirate's ceramic plants, which rely on gas as they cannot use coal. "All the companies want gas," Abma said. "For some, however, the only alternative is LPG, which is very expensive. [The price] is starting to come down but it remains high."

The company meanwhile is also expanding its terminal to a total land area of 70,000 sq metres. There

will be a new pump station, a fuel oil tank of 120,000 cu metres as well as new gasoline and gas oil tanks.

TAPPING IN: RAK Petroleum has been significantly expanding its operations in the pursuit of exploration and production of oil and gas. Indeed, the company, founded in 2005, has ambitions to become an upstream, midstream and downstream hydrocarbons company with an international reach.

A major move for the company was its acquisition of the exploration assets of the UK-listed Indago. RAK Petroleum has acquired the exploratory operations of Indago at the Bukha and West Bukha oil and gas fields, which are expected to be vital for the future supply of gas for the emirate.

On the exploration side, the company is now ready to explore and perhaps develop hydrocarbons resources in RAK. The government has concluded a concession agreement with RAK Petroleum Al Khaleej, a wholly owned subsidiary of RAK Petroleum, granting it a 25-year petroleum concession in the emirate.

According to a company press release, the new concession covers an area of 850 sq km on the onshore RAK coastal plain and near-shore transition zone. RAK Petroleum will target lower Cretaceous carbonate reservoirs in deep foreland basin structures that follow a structural trend parallel to the fold belt as well as Palaeozoic reservoirs in the northern part of the concession area. The company plans to commence a fast-track seismic campaign in 2009. RAK Petroleum has interests in, as well as operates, four blocks in the UAE and five in Oman.

In October 2008 RAK Petroleum sealed a 20-year farm-out agreement with the government of Sharjah and BP Sharjah. Under the agreement, RAK Petroleum will oversee production of a new, 34-sq-km East Sajaa Concession. The company will drill for gas in the concession area, with any discoveries to be processed through the existing Sajaa Plant operated by BP Sharjah. RAK Petroleum holds a 55% stake in the concession, with the government of Sharjah and BP Sharjah holding 27% and 18%, respectively.

RAK is focusing on developing its hydrocarbons resources

OUTLOOK: The shortage of energy in RAK is perhaps one of the most discussed topics among businesspeople in the emirate. Rapid development has overstretched the emirate's existing capacity and has meant that new real estate developments have to wait until extra capacity comes on-line before they can proceed. Cement factories have also felt the bite in their profit margins and have had to switch to diesel or coal to fuel their production.

It is not considered likely that the emirate will make any major new hydrocarbons discovery on its own soil, meaning that RAK will most probably remain reliant on imports in the coming years. Therefore, gas agreements with Qatar and other non-UAE countries are seen as vital for future supply.

In addition, the establishment of new power plants will help significantly. With this in mind, the government expects the energy problem to be solved within three to five years. Afterwards, many observers expect development to continue at a faster pace.

The establishment of new power plants in the emirate will be a great help for local businesses, particularly in the industrial sector. The government expects energy shortages to end in about three to five years.

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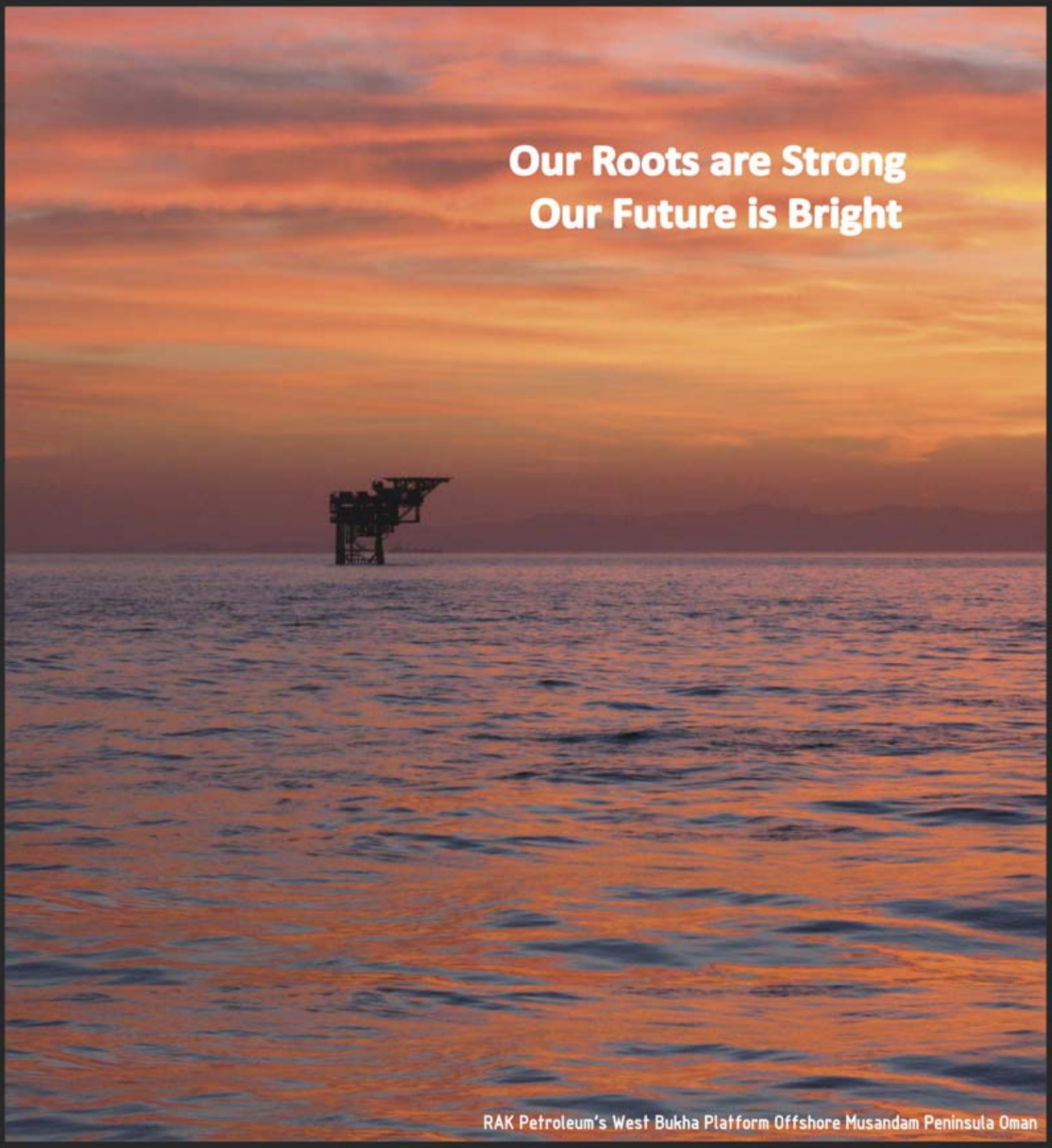

بترول رأس الخيمة
RAK PETROLEUM

13th Floor, Al Attar Business Tower, Sheikh Zayed Road, P.O. Box 62042, Dubai, UAE, Tel: +971 4 3325444 Fax: +971 4 3329554

United Insurance Building, Al Faisal Street, P.O. Box 1223, Ras Al Khaimah, UAE, Tel: +971 7 2057777 Fax: +971 7 2057778

Office No. 32, Safeway Building, 164 Doha Al Adab St., P.O. Box 2845, Ruwi, Muscat, Postal Code 112, Sultanate of Oman, Tel: +968 24 698128 Fax: +968 24 698129

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Solar has become an increasingly viable alternative energy option

Going green

New cost-effective and sustainable projects are in demand

As RAK has felt the effects of a power shortage, new sources of energy have been in high demand, notably alternatives such as solar. The Swiss Centre for Electronics and Micro Technology (CSEM) has been at the forefront of utilising the energy of the sun and has successfully tested a prototype for a Dh18m ($4.9m) Solar Island. The testing island is 88 metres in diameter; it is built inland and floats on water for cooling purposes. The prototype, which cost around $5m, is expected to produce around 250 KW of electricity in the early part of 2009 within a proof of concept stage, according to CSEM.

SUNBELT: The solar energy will be used for water taxis, parking meters, streetlights and bus shelters, as well as around 200,000 homes, when the island is fully completed. A few units of the solar plant could be implemented in coastal waters to generate hydrogen, which would be transported to inland plants to produce electricity, the company said.

Hakim Bederr, the former chief executive officer of CSEM-UAE, told OBG that there are enough entrepreneurs doing business in RAK but there are not enough electricity for all of those projects. "There are some power plants in the pipeline but we think we have an effective solution at a reasonable price. We are targeting a price of $0.10 per KW per hour, which we believe is competitive."

He added, however, that the company needs to make the project work in a more cost-efficient way and is always looking for the simplest and most effective solutions. "We are also looking at a large-sized project for solar solutions."

Bederr pointed out that following a successful test phase, the island would eventually be enlarged by several hundred metres. "We are talking about expanding it from the current 88 to 500 metres, which would mean it would be a proper power plant project instead of simply a test project."

In addition, CSEM-UAE, a joint venture between the RAK government and the Swiss research centre CSEM, has an innovation centre in RAK that is currently working on new environmental technologies and that, among other things, provides testing for solar panels and water heaters.

"We have some partners in Europe that are testing their products here so they can see how their product behaves in real time in hot conditions," Bederr told OBG. "We are also working on some innovative water heater and solar connectors not only for the local market but for the US market, as well."

He added that the centre is, in effect, an incubator for start-ups developing technical products and assists companies interested in new product development or technology transfer.

Bederr noted that many hotels are interested in using solar energy for heating their water but they need guidance on how to choose the most cost-effective, reliable solution for energy savings.

CUTTING COSTS: Energy conservation is a long-running problem in the emirate. Power is heavily subsidised and thus there is little motivation for the public to conserve energy. On top of this, many of the emirate's buildings are not well insulated.

The emirate's leading developer, Rakeen, has been working to address this challenge by implementing a green building code, which incorporates environment-friendly initiatives, with the aim of curbing power consumption by 45% to 50%. The new code will be implemented by all Rakeen developments and developers will be given permission for construction only if their designs meet the new guidelines, company officials said.

CSEM has been collaborating with Rakeen on this project and advising them on solar panels. They also have a team that visits hotels, plants and buildings, and assesses their energy usage and offers solutions about how to save and reduce consumption. "Companies are concerned although there are no regulations in place for saving energy. However, everyone is interested in reducing costs," Bederr said.

The new Solar Island, a prototype for what will hopefully become a much larger project, is expected to produce around 250 KW of electricity in the early part of 2009.

The emirate's leading developer is working to implement a green building code with the aim of reducing power consumption by 45%.

Terry A Newendorp

Alternative power

OBG talks to Terry A Newendorp, Chairman & CEO, Taylor-DeJongh

Is there potential for finding hydrocarbons in RAK?

NEWENDORP: RAK possesses some hydrocarbons potential. According to the UAE federal government, RAK's reserves are estimated at 400m barrels of oil and condensate, and 1.2 tcf of natural gas. The emirate recently signed a 25-year petroleum concession for RAK Petroleum, demonstrating interest in what was termed an "under-explored and prospective" region. More important, however, is the diversification that is occurring throughout the economy. RAK benefits from a good geographical position and a well-guided government, and has leveraged its physical resources and human capital to create industrial development that has already proven highly successful.

What is being done to minimise the impact of electricity and gas shortages on economic expansion?

NEWENDORP: RAK recognises the need to expand electricity and gas supply to fuel its expansion plans. Whereas RAK has historically relied on the Federal Electricity and Water Authority (FEWA) to supply its electricity, in July 2008 plans were announced to construct four new power plants with a total generating capacity of 740 MW, with additional plants currently under consideration. In January 2009 the RAK Investment Authority (RAKIA) awarded the legal and financial advisory contracts for two power plants, one of which would have a capacity of 4000 MW.

To hedge against a short-term shortage of gas, some of the new generation is expected to be coal-fired. There are also on-site power production and industrial zone power developments under way, the combined effect of which will be to fully satisfy realistic growth plans for the emirate and perhaps even provide surplus power for the FEWA grid.

How does RAK's short- and long-term energy supply strategy differ from that in other emirates?

NEWENDORP: In the short term, RAK's strategy will be driven by the utilisation of liquid fuel plants to establish immediate generation. The emirate is exploring a number of approaches to increase supply. In addition to building new plants, the government is in discussions with FEWA for increased power supplies from the UAE grid. In the long term, RAK's focus will shift from current demand to planning base-load capacity for future growth. The emirate is exploring ways to diversify and secure its energy supply, and has plans to introduce renewable sources into its mix. Through foreign investments, RAK is securing sources of oil, gas and coal feedstock for its conventional power plants.

What alternative energy projects are currently under consideration for implementation?

NEWENDORP: RAK is moving to the forefront of alternative energy research. In 2007 the emirate launched the RAK Centre for Advanced Materials, which conducts research in alternative energy, water purification and environmental preservation.

More recently, in January 2008, it was announced that RAK, in cooperation with the Swiss Centre for Electronics and Microtechnology, would develop a prototype solar island, a large-scale project to convert solar energy into hydrogen. While many of RAK's planned power projects are hydrocarbons-based, nonetheless, alternative energy forms an essential part of a diversified approach to energy supply security.

Do you believe the government's plans to construct new power plants will alleviate generation issues?

NEWENDORP: I strongly believe that the government recognises the importance of ensuring a stable supply of electricity and I know that it is working hard to address these issues. The combination of new generation built or strongly supported by the government projects, new supplies from FEWA and industrial sector projects should in the near future substantially alleviate the emirate's perceived generation shortfalls. These are the main demands that are being planned for with the current power plants under development.

Tourism

Plans to expand the emirate's hotel capacity
Greater focus on sustainable development
Efforts to develop the sector's heritage offering
Major upgrades to the airport infrastructure

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Only the beginning

As local hotels reach capacity, the sector looks forward to mass expansion

In recent years the government of Ras Al Khaimah has made considerable efforts to develop a thriving tourism industry by leveraging the emirate's unique cultural heritage and natural landscape. It appears these efforts are beginning to bear fruit. The increase in arrivals in recent years has been significant, with some 215,000 visitors recorded in 2007 – based on room nights – representing a 28% increase on the previous year. Similar results are expected for 2008.

BIG PLANS: However, this is only the beginning. A new development plan is meant to increase the number of visitors to 2.5m per year in line with hotel development. RAK's tourism officials believe this is possible if current plans come to fruition. For example, some 20 hotels, each with at least 350 rooms, are set to be completed over the next five to 10 years. In order to reach 2.5m visitors, these new properties must post an average occupancy rate of 80%, which is certainly possible. Hotels in RAK have already seen thriving business, combining for an average occupancy rate of 93% in recent years. Tourists are attracted to RAK by its competitive rates. There are currently only 1800 rooms in the emirate but the influx of new hotel developments should deliver up to 7500 new rooms.

The new hotels will follow the established five-star accommodation already in RAK, including the Al Hamra Fort Hotel & Beach Resort and Al Hamra Village Townhouse & Golf Resort, which are some of the most complete resorts in the UAE, consisting of a marina, an 18-hole golf course and three types of hotels. Other existing properties include Khatt Springs Hotel and Spa, which boasts 130 rooms; the Hilton Beach Resort & Spa with 324 rooms and an array of restaurants; and Hilton RAK with 227 rooms.

The 92-room RAK Hotel is the oldest in the emirate, having been established in 1970 and is currently run under a 10-year concession agreement with the government. New management took over about three years ago and spent Dh750,000 ($204,225) on renovating the interior and re-marketing the hotel's image. The hotel targets a mainly international clientele, many of whom are engineers from Western Europe drawn by the host of construction companies in the emirate. Four-star accommodation in the emirate currently includes the 136-room Bin Majid Beach Hotel and the 125-room Bin Majid Beach Resort.

BRANCHING OUT: RAK is also building its credentials as a business tourism destination. Nikolaos Chatzipetros, the vice-president of operations of Hamra Hotels & Resorts, told OBG that the emirate is in the process of bolstering its business and corporate clientele. "Premium companies are beginning to enter the market, and those companies are drawing the attention of developers and other top-level decision makers," he said. One of Al Hamra's targets has been the meetings, incentives, conferences and exhibitions segment, and the company is now nearing completion on a 1000-person event facility. "The target market will actually be local and international in terms of groups hosting various events," Chatzipetros said. "However, it may appeal to some of the bigger businesses looking at niche events in the region."

Elsewhere, a major project will be the RAK Convention and Exhibition Centre, which will include 50,000 sq metres of exhibition space. Wahid Attalla, the executive director of Rakeen, the lead developer, told OBG that the project will include three hotels totalling 1800 rooms. "We want to showcase what RAK has to offer in our development," said Attalla. "The emirate has a heavy and light industry base and one of the largest bulk terminals in the UAE. It also accounts for 60% of all cement production in the UAE and has two of the largest steel companies in the region, all of which means it is very well positioned despite the fact that it is not the most affluent emirate." That said, leisure tourism will be the mainstay of the industry in the coming years and efforts are under way to facilitate and support the growing number of visitors.

LAYING DOWN THE GROUNDWORK: Hilary McCormack, the manager of RAK Tourism, which is tasked

The number of visitors to RAK is envisaged to increase to 2.5m per year according to a new development plan. Around 20 hotels will be completed in a period of five to 10 years, each bringing in at least 350 rooms.

The emirate is in the process of boosting its meetings, incentives, conferences and exhibitions segment. Facilities that are able to accommodate large groups and include hotels and exhibition space are under construction.

The sector is seen as a significant part of economic development as well as a potential employer

In an effort to boost the number of passengers coming to the emirate, RAK International Airport is set to be expanded. The expansion is part of efforts to increase holiday traffic and the number of scheduled flights overall.

with supporting, promoting and attracting new tourism initiatives to the emirate, told OBG her organisation's focus of late has been on supporting the new hotels and convincing new businesses to enter the market. RAK Tourism has indeed been aggressive in its marketing campaigns. "We are advertising in international publications, working with the tour operators and talking with the airlines that are operating in our target markets in a bid to convince them to fly directly to RAK," she explained. "This has been a key focus."

The expansion of RAK International Airport is set to improve passenger traffic by adding new terminals and attracting more airlines. Cargo and property development bring in over 50% of the airport's revenue, though it is also doing well in terms of passenger footfall. It received 208,000 passengers in 2007 and expects nearly 250,000 in 2008. Over the next five years the airport hopes to sustain between 15% and 20% growth.

Currently a number of charter flights operate out of the airport. Primary destinations include Germany, France, Scandinavian countries and Russia. In 2009 RAK Tourism plans to focus on India, which is an important and developing neighbouring market. "RAK and India already have strong economic ties in light of the increasing number of Indian companies setting up branches in the emirate," said McCormack. The airport is also expected to see its first charter from Dublin.

RAK Tourism and the airport have also teamed up in an effort to bring more scheduled flights to RAK, and for the first time, both organisations attended the 2008 World Route Development Forum, an annual airline and airport-networking event, in Kuala Lumpur.

Allan Lee, the director of aviation business development at the airport, told OBG he had talked to more than 20 airlines at the conference and around one-third had expressed interest in starting up scheduled flights to RAK. "We think that over the next six to 12 months we will have between two and three airlines coming here," he said. "Within two years we expect this number to increase. That is our marketing strategy."

At present the airport is not focused on attracting long-haul carriers or legacy carriers, the latter of which tend to want a large network as they bring in passengers for transit. The airport is currently targeting holiday traffic primarily from Europe. "When we build up a network we might then attract legacy carriers," the CEO of RAK International Airport, Michelle Soliman, told OBG. "In the meantime we are targeting low-cost, cargo and regional carriers. The airport expansion should also facilitate more traffic to hotels, restaurants and tourism-related businesses," she added.

In its bid to create jobs, the government views the tourism industry as a potential employer and revenue generator, and consequently, a strong component of economic development. "Tourism is a major contributor to economic growth," McCormack said, noting the industry's surge in the other emirates is bound to have a knock-on effect in RAK. She said some tour operators in Europe want to change the way tourists visit the UAE by introducing package tours that would spread visitors around the emirates instead of having them just stay in Dubai. "There are more chances of return trips this way," she said. While it seems that the tourism business is set to take off in RAK, the emirate is determined to preserve its local culture.

HERITAGE ON OFFER: RAK prides itself on its commitment to maintaining its unique culture, traditions and heritage. The emirate is one of the major centres of history, archaeology and heritage in the UAE. Consequently, a multitude of new projects incorporate Arabian designs or themes and local officials are determined to preserve this essential ingredient.

RAK Tourism has worked closely with the National Museum of RAK to identify key areas that will form part of the cultural heritage aspect of future developments. Work has already begun in terms of preparing key sites for tourists to visit, such as the prehistoric Umm an-Nar tomb, one of the largest of its kind known in the UAE and Oman. Christian Velde, the resident archaeologist at the Department of Antiquities and Museums, told OBG that RAK has a lot more history and archaeology underneath what is currently available for viewing. Velde said the emirate's 8000 years of human history in RAK have left a rich heritage.

"There is a lot to do and there are a lot of ideas," Velde told OBG. "But our overall plan is to create an infrastructure for heritage tourism for people who want to stay in RAK for at least two or three days." This infrastructure is part of the vision of Sheikh Saud bin Saqr Al Qasimi, the crown prince and deputy ruler of RAK. "We did not have to do a lot to sell this idea to him as he immediately agreed," said Velde. "He said we should not be like Dubai but rather promote the layers of culture in RAK."

Many upcoming high-end projects incorporate elements of the local culture as well. The Banyan Tree project, which is set to open in 2009 and will feature one hotel operated by Banyan Tree, is set in desert surroundings and is unique in terms of topography as it is in a farming area and will offer tourists a glimpse of how the local community lives. The development will incor-

porate a nature reserve as well as have an educational component. In addition to deserts, RAK boasts mountainous areas, which during cooler weather can be used for four-wheel driving and camping. "This is still untouched land where secluded spots can be found in the deserts, mountains and beaches and where visitors can still come face-to-face with the traditional way of local Arab life," said McCormack.

The government has been very clear about the fact that even though RAK is on a quick development path, it should not be allowed to grow at such a pace as to endanger the emirate's heritage or environment.

SUSTAINABLE DEVELOPMENT: A number of major new projects are under construction in RAK, including Al Marjan Island, which is expected to be a huge tourist destination. The project will be developed over 2.7m sq metres of reclaimed land that will extend some 4.5 km into the sea from the mainland. The mixed-use development will include hotels, marinas, and residential and commercial buildings.

Before major projects such as Al Marjan are approved, the government evaluates the impact on the environment and, when necessary, also guides developers in terms of assuring the sustainability and success of a project. Before the Al Marjan development was given the green light, for example, there was a huge amount of research aimed at limiting the impact on marine life. The Al Marjan development is technologically advanced, and it has a strong focus on ecological concepts. "We are now creating ecosystems, such as a natural reef, around projects," said Rakeen's Attalla. "All of our designs are redrawn continuously in light of new research undertaken."

The other large-scale project currently on the table is Mina Al Arab, a residential, retail and tourism development that will occupy a 2.8m sq metre area and be spread along a 9-km stretch of beach. At the north end of the project is a 3-sq-km area of wetland that would be protected and stay in its original state as it lies on a migration path for birds travelling from Africa to Asia. This plays into a theme that RAK Tourism would like to develop at a later stage – bird watching.

SWING BY: RAK is becoming a hot spot for golf enthusiasts, as it has attracted premium courses. Ballooning fees and crowded courses in Dubai have spurred players to pack their clubs and head north to RAK, which currently has two 18-hole championship golf courses, Towerlinks Golf Club and Al Hamra Golf Club. Towerlinks has certainly felt the impact of the surge, registering a 30% increase in revenue in 2007 on the previous year. Turnover is expected to increase by another 30% in 2008.

Foreign tourists – primarily from Germany – make up approximately 7-8% of Towerlinks' clientele at present, though the company is looking to double this number over the coming years. "Towerlinks' club membership amounts to 375, the majority of whom are expatriates living in the emirate," said Gary Constable, the course's general manager. "There are also a fair number of 'pay and play' customers who come on a regular basis from Dubai," he added. The course has a total area of some 100 ha, 40 ha of which is turf. There are also plans to build a 95-room, four- or five-star hotel at the Towerlinks club, which would give a large boost to customer numbers.

The emirate's two championship golf courses are proving a popular attraction for foreigners

The government's intention is to carefully balance any development with protection of the environment. Before large projects can be approved the expected impact to the surrounding area is studied.

BUILDING BLOCKS: Polo RAK Amusements, a joint venture of Polo Amusement Park, an India-based company, with RAK Investment Authority and RAK Properties, has undertaken the development of a nearly 50-ha beachfront venue that will include a water park, amusement park, shopping mall and resort facilities. The water park will be ready by the summer of 2009 and the entire facility by the end of 2009. The company expects to have more than 1m visitors by 2011, with a full capacity of 5m visitors a day. The initial target will be locals and expatriates living in the area.

Balwant Chawla, the managing director of Polo RAK Amusements, told OBG that there is a dearth of manpower in the emirate and the company will bring in more than 300 operational employees in 2009 out of a total of about 1000 employees. Additionally, it is becoming more difficult to bring in people from abroad. In India, for example, local salaries have shot up and so more workers are returning to their home country.

With an aim to increase the number of trained professionals in the hospitality sector, the internationally recognised hotel management school Vatel has established a branch in the emirate.

OUTLOOK: The RAK government has put a strong emphasis on developing its hospitality sector, leveraging several of the advantages the emirate possesses, including beaches, golf resorts, mountains and its close proximity to major airports and other tourism destinations in the UAE.

The emirate is also bolstering its business and corporate clientele as premium companies are entering the market. A key indicator of the emirate's promising tourism climate are the high occupancy rates at the major hotels, exceeding 93% in recent years. With these figures, government officials are bullish on the idea of dramatically expanding the whole industry.

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Developing heritage tourism is an important part of the sector plan

Heritage wealth

The emirate strikes a balance between conservation and development

When Sheikh Saud bin Saqr Al Qasimi, the crown prince and deputy ruler of RAK, cut the ribbon for a heritage village that celebrates the emirate's past with a collection of antiques, he announced, "Our forefathers left us a rich heritage, which we should not only be proud of but also preserve as a reserve for future generations." Indeed, as RAK's tourism industry is playing an increasing role in the emirate's development, with plans to accommodate 2.5m visitors per year in line with hotel development, officials are determined to preserve its unique culture and heritage in the face of increasing footfall.

PRESERVATION OF HISTORY: RAK Tourism, which is tasked with supporting, promoting and attracting new tourism initiatives in the emirate, shares with the Department of Antiquities and Museums the common goal of developing heritage tourism.

Christian Velde, the resident archaeologist at the National Museum of RAK, told OBG that the idea for heritage tourism has been kicked around for a long time but was only really formulated three or four years ago when the government started to put a stronger emphasis on building a tourism industry.

Current archaeological work is covered completely by local funding that comes directly from the crown prince, who, Velde noted, "is very interested in the conservation of historical sites".

As anywhere with a rich historical background, there is a fine balance between conservation and development. For RAK's authorities it is pertinent to strike the right note in this matter.

For example, plans to install power lines supported by 70-metre-high poles between a mountain range and a 19th-century hilltop fort, the historic Dhayah Fort, would have marred an otherwise spectacular view. Because of this the decision was made to reroute one of the major lines. "The crown prince fully backed this decision," Velde said.

HISTORICAL ATTRACTIONS: RAK's coastal areas have proven to be especially high-value property, and developers are moving in accordingly. Hence, the Department of Antiquities and Museums is acting quickly in order to protect major parts of the historical coastal town of Julfar, a large trading centre in the 14th and 15th centuries and a major import destination for Chinese pottery.

Of course, preservation is not an end in and of itself – the area must also be utilised. In Julfar, for example, only sand dunes are in view, as the historical remains are either covered or have deteriorated. The emirate has plans to set up an archaeological park where there will be excavations as well as the opening up of larger areas.

"The mosque in Julfar was excavated 12-14 years ago," said Velde. "We want to open it to the public as well as the old fort and houses. The plan is also to open a small museum."

This is a long-term project, Velde acknowledged, as excavations will be continuing in the coming years and the museum still has to be built. Secondary facilities such as fences and restrooms will also have to be put in place before opening to the public.

HIGHLY ATTRACTIVE FOR TOURISTS: In the end all of these efforts to bring the emirate's history to the forefront of the sector are expected to pay off well, as heritage tourism has always proven to be an attractive feature for European tourists.

The key to success, however, is for the emirate to provide attractions that are at a larger scale than what can be found elsewhere. "Dubai has the heritage village, which more or less borrows heritage from all over the UAE and features it in one place," Velde said. "And oftentimes the rebuilding of old sites in other emirates lacks authenticity, as it is rarely based on a previous model." Fortunately for RAK, large-scale development only started a few years ago, and hence, many of the emirate's traditional buildings still exist. "We do not have to invent heritage here," said Velde. "It already exists. We just have to build on the back of what we already have."

The Department of Antiquities and Museums and RAK Tourism have been tasked with developing heritage tourism in the emirate. In Julfar, for example, there are plans to establish an archaeological park and open a museum.

Hilary McCormack

Five-star trajectory

OBG talks to Hilary McCormack, Manager, RAK Tourism

What is RAK's strategy to attract more visitors?

MCCORMACK: We currently have about 1500 five-star rooms available in the market so if we want to grow and become a strong tourism destination we need more rooms. RAK's development has been slower than other emirates, as we are not taking any major risks or doing anything rushed so we have not had to deal with some issues that turn up in other emirates. The opening of three or four new properties in 2009 is a gradual step. The strategy is to follow the normal economic development over the next few years. It is true that we did not anticipate that the whole world would take such a shock from the credit crunch, so we have to re-evaluate our tactics. We will keep pushing ahead, as people will continue to have holidays. As they might be more selective, we have to be more active in promoting RAK and offering adapted products.

What untapped markets do you see as offering the greatest potential to fuel growth?

MCCORMACK: Our primary markets are Germany, France, Russia and the Scandinavia countries. In 2009 we will be looking at India as a new developing market. RAK and India already have strong economic ties, with an increasing number of Indian companies setting up branches in the emirate. We have been considering developing tourism with India for a while and we think the market is ready for that today. The US market is not necessarily a high priority for us. We will, rather, target US visitors in the region but going to the US would possibly be part of the long-term strategy once our market is more mature. India, Commonwealth of Independent States countries, Russia and traditional European markets will be the main targets for 2009.

How can the promotion of RAK be improved?

MCCORMACK: We are promoting RAK as an alternative holiday destination within the UAE. At the moment we're dealing with short-term goals but with the longer-term strategy in the background. We are building RAK's profile and also working on future developments. In 2007 we had a 28% increase in the numbers of visitors, reaching 215,000, and we should reach almost the same results in 2008. For 2009 we aim at maintaining the same number of visitors with about 10% growth. We are going to be as aggressive as we were in 2008, especially in the traditional markets. We will also work very closely with tour operators and the travel industry at large. We are looking at attracting airlines, participating in special events such as international trade fairs, road shows and conferences, and collaborating with the international media to market RAK worldwide.

What travel markets is RAK hoping to attract?

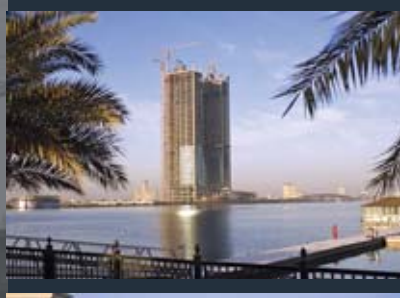
MCCORMACK: At the moment the market is known for five-star leisure properties so we are going to continue with that trend. We are extending our five-star offerings by introducing a new deluxe spa product with the Banyan Tree Resort, scheduled to open in the second quarter of 2009. We will reach a new audience by targeting the higher-end market. However, we have broadened our scope by offering luxurious goods at affordable prices, so we can appeal to as many different segments of the market as possible. We are also targeting business travellers with a new conference centre and city hotel to open in 2009.

How are environmentally friendly initiatives considered in developing tourism infrastructure?

MCCORMACK: RAK is not growing at too rapid a pace, which will be a big asset in preserving the heritage and culture of the emirate. Tourism projects are being developed in some key areas of RAK, including over 25 km of coastline. The government first evaluates every developer's product and, when necessary, guides them to assure the sustainability and success of the projects. On the Al Marjan Islands, for example, there was a huge amount of research to limit the impact on the marine life. The authorities keep a close look on development, as we want to make sure we preserve the environment.

Construction & Real Estate

Tourism projects strive to keep pace with visitors
The emirate is still the main source of the UAE's cement
Large waterfront projects will change the scenery
Demand for housing grows as population increases
Wider array of shopping options coming on-line
A gallery of ongoing development projects



Property development is growing as the population increases

Shaping the landscape

The sector continues to thrive with new tourism and industrial projects

There is great demand for tourism development, as 2.5m annual overseas visitors are expected to visit RAK in the next five to 10 years. New hotel developments will deliver up to 7500 new rooms.

All across Ras Al Khaimah heavy machinery kick up clouds of dust, long-bed trucks loaded with building materials clog the roads and scores of workers labour on building sites that have become synonymous with the northern emirate. The growth of the construction sector has dovetailed with the RAK government's plans to expand its manufacturing and industrial base as well as to swing open the emirate to private investment, which in turn require swathes of new infrastructure. Thus work is under way to expand the emirate's ports and airport as well as to upgrade and build new roads. Indeed, it is estimated that about Dh1bn ($272.3m) will be spent in the next 10 years on RAK's road network.

NUMEROUS TOURISM PROJECTS: The emirate is also keen on bolstering its tourism sector, and there are a clutch of projects in this regard already being built or planned for the near future. RAK Tourism, the emirate's tourism authority, has announced the construction of about 20 five-star hotels, as well as a number of premium hotel and hotel apartments in the emirate. Construction of the hotels is expected to be finished within five to 10 years.

According to estimates, 2.5m annual overseas visitors – roughly 10 times the local population – will visit RAK in the next five to 10 years. The emirate currently has more than 1800 hotel rooms and the new hotel developments will deliver up to 7500 new rooms, according to RAK Tourism.

On top of this, there is robust demand for residential properties. This demand is expected to continue due to the emirate's growing population, which rose from 214,000 in 2006 to 222,000 in 2007 – a 3.7% increase. In addition, nearly 50% of RAK's population is below the age of 19. To open the doors for investment opportunities in the tourism and real estate sectors, the government has established two property development companies: RAK Properties and Rakeen. Now any individual or corporation can own residential and commercial properties through these companies. RAK Properties is involved in the development of a wide array of local projects, such as Mina Al Arab, a mixed-use leisure and holiday beach resort development. Rakeen, meanwhile, has undertaken a number of local, regional and international real estate developments.

Any individual or corporation can own residential or commercial properties through two government-established property development companies.

The RAK Investment Authority (RAKIA), which is tasked with promoting and overseeing the economic development of the emirate, is also investing heavily to meet the demands of its growing industrial base. It built the Custom House in the Al Jazeera-Al Hamra industrial complex and is constructing a new residential facility, in addition to a medical clinic. RAKIA is also constructing a Dh1bn ($272.3m) residential complex that will consist of 30, 15-storey buildings to make up for the shortage of accommodations owing to the influx of investors.

A lot of effort is also being directed towards the public sector and so-called social infrastructure, such as new schools, hospitals and services. More international schools are being planned and built, universities are under construction and a new research and development centre has come on-line. Regarding health care, a top-end private hospital has been built, which is attached to a new Medical and Health Sciences University.

The Ministry of Public Works and Housing has been at the forefront of the efforts to supply the local population with all the necessary facilities. During 2007 the total value of projects submitted by the ministry amounted to Dh101.5m ($27.64m), benefitting the education and health ministries.

DEVELOPMENTS: In late November 2008, Solanki Real Estate, an arm of Solanki Holdings, announced plans for a $2.4bn mixed-use residential, commercial and hotel development on the Al Marjan Islands. Launching the project, Abdulrahman Ismail Solanki, the chairman of Solanki Holdings, said that RAK and the Al Marjan Islands were a natural choice for investment, "giving us the opportunity to cater to RAK's

growth in terms of commercial activity, tourism and population". In October 2008, Indian actor Shah Rukh Khan and UAE property group TSA launched a $2.16bn beachfront residential development project to be built on RAK's Dana Island. When completed in 2012, the project, known as the Shah Rukh Khan Boulevard, will have 10 residential towers including specially designed studios.

In September 2008, another celebrity, tennis star Boris Becker, put his name on a major development, an $800m tennis and holiday resort to be built on Al Marjan Island. Along with a modern tennis academy, the resort will have a 223-room hotel and 1000 serviced apartments.

NUTS AND BOLTS: The construction and building sector is expected to remain the major economic sector within the emirate. It accounted for 9.4% of the emirate's GDP in 2007 compared with 8.8% in 2006, according to statistics from the Economic Development Department. In terms of gross fixed capital formation, construction and building amounted to an estimated Dh284m ($77.3m) in 2007, a 7.8% increase compared with 2006.

In a clear sign that RAK's construction sector is only likely to grow, the number of building permits continues to increase. Indeed, the total number of building licences issued by the RAK municipality amounted to 3609 in 2007 compared with 3135 in 2006 and 2839 in 2005. Building permits for villas saw one of the sharpest rises, increasing to 1066 in 2007 from 715 in 2006, while permits for multi-floor also saw a jump from 36 in 2006 to 82 in 2007.

In addition, workers have continued to arrive in droves. Of the emirate's economic sectors, construction and building saw the biggest rise in the number of workers in 2007, increasing from 16,655 to 18,644 in 2006, according to the emirate's Economic Development Department.

Furthermore, in 2007 the construction and building sector held a 13.9% share of total workers in the emirate, below only wholesale, retail trade and repair services, which formed 19.2% of the total workforce. The lack of skilled labour, however, has posed some problems for developers, as many workers are staying in their home countries, such as India, since there is a host of work now available at home.

Ramsey Khalil, the general manager of AAA Contractors, a full-service construction company that is majority-owned by RAK Ceramics, told OBG that the company has had to train workers for at least two months to get them up to speed. Nonetheless, business is flourishing for the contractor, which has cornered contracts for nine large projects for more than Dh1bn ($272.3m) that include RAKIA Residential Buildings as well as RAK Ceramic's offices and residential buildings, Acacia Hotel, Hamra Hotel Royal Breeze, and a 2600-sq-metre multi-purpose hall at the Al Hamra Village. The company also has plans to expand to Dubai and Abu Dhabi.

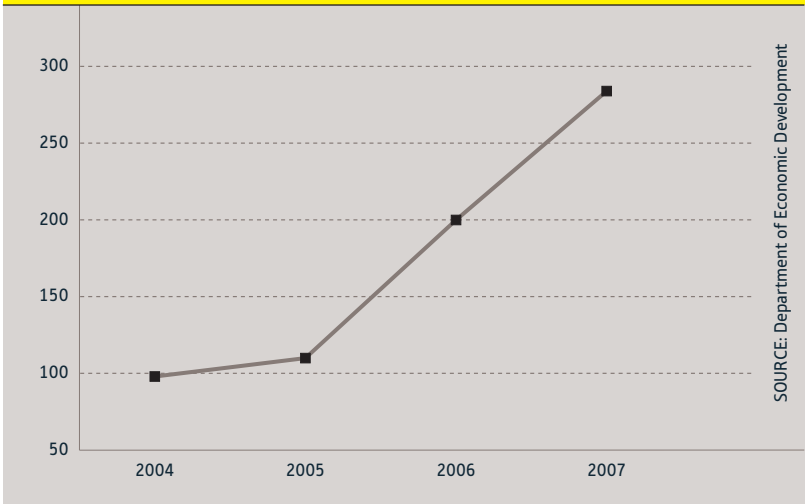
Khalil lauded the minimal amount of paperwork needed in RAK for obtaining items such as building permits. In addition, the lack of red tape allows a new business to be opened in one day, he noted. The ease of doing business in the emirate has in turn acted as a magnet for a slew of companies to set up shop, and now there is much higher demand for space than supply. Future demand will mostly be generated by the need for residential high rises as well as offices and town houses, according to Khalil.

RAK is the main source of cement for construction projects in the UAE

The number of building licences issued in RAK continues to grow: the municipality awarded 3609 permits in 2007 compared with 3135 in 2006 and 2839 in 2005.

MANAGING GROWTH: RAK boasts a number of advantages over its southern UAE counterparts, such as greater availability of land, lower start-up costs and availability of key materials including cement and ceramics. Other material producers have also mushroomed, and now a free trade zone exists in an area that only two to three years ago was empty desert. Indeed, there will be plenty of work in the future, and the construction sector in RAK will be kept busy. Still, there are some kinks that still need to be ironed out before the sector can reach full potential. One issue that must be addressed is the fact that the number of projects has overwhelmed the current state of infrastructure and skilled manpower available.

Construction & building gross fixed capital formation, 2004-07 (Dh m)



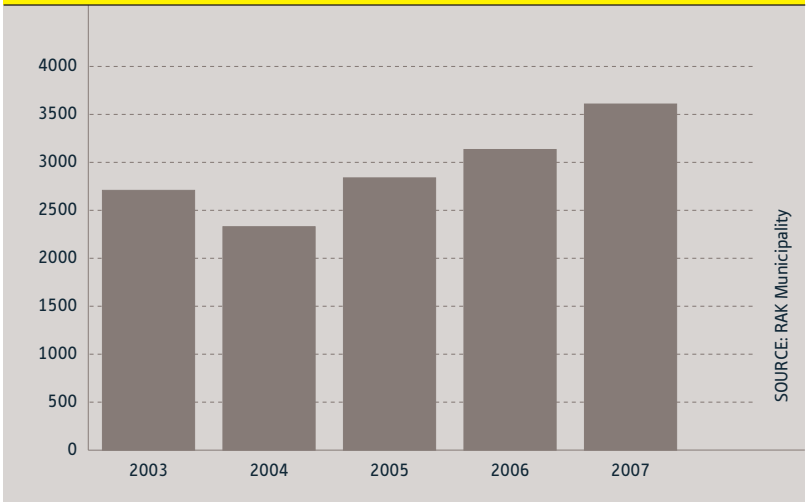
The sector accounted for 9.4% of the emirate's GDP in 2007

UAE demand for cement is expected to hit 26.2m tonnes by 2011, and with consumption levels that are triple the world average, it is unlikely demand for cement will suddenly dry up.

The most pressing need for authorities is to solve the lack of power and this will mean the construction of new power plants. Until the power problem is solved, there are scores of commercial buildings that have been constructed and ready for lease but are still unoccupied until power comes on-line. It is not only commercial buildings and residential properties that are facing a power shortage but also universities, shopping malls and schools.

Developers are also feeling the pinch from the shortage and have had to install their own generators on site. A contractor active in RAK told OBG that a labour camp of some 1500 people consumes 2.5 MW to 3 MW per day. The RAK government has announced plans for the construction of four power stations over the next three years, with a combined capacity of 740 MW and a price tag of around $240m, although final estimates have yet to be announced. The power shortage has also meant opportunities for the construction of other alternative energy facilities. The Swiss Centre for Electronics and Microtechnology (CSEM) is now building a

Building licences issued by RAK Municipality, 2003-07



MATERIAL NEEDS

Blessed with large quantities of limestone reserves, a key component in the production of clinker, RAK has been the largest source of cement in the UAE. Of the 13 cement production facilities currently operating in the UAE, five are based in RAK. This is mainly due to the emirate's large deposits of limestone and other minerals necessary for the manufacture of cement.

Major companies such as Gulf Cement Company, Union Cement Company (UCC), RAK Cement and RAK White Cement have all set up base as a result. In addition, Star Cement, part of the Dubai-based conglomerate ETA-Ascon Star Group, has announced that it will invest $200m in a high-tech clinkerisation manufacturing unit in the emirate that is planned to produce 6500 tonnes of clinker per day. The factory is expected to go on-line by February 2009. Ahmad Salah Al Deen, the director of Star Cement, said in a company release that the factory plans to meet the surging demand for cement in the UAE.

UAE demand for cement is expected to hit 26.2m tonnes by 2011 according to The National Investor, a privately owned regional investment and merchant banking group. Indeed, the UAE has one of the world's highest per-capita cement consumption levels, around triple the world average. Thus, even with the inevitable slowdown in construction activity in the emirates, it is unlikely that the demand for cement will suddenly dry up. Though there has been a 30-40% drop in raw material prices – steel prices fell some 35% towards the end of 2008 – cement still commands a high price due to volatile costs of fuel and short-term supply constraints.

The UAE government has implemented measures including waiving import duties and reducing port handling fees to get the prices under control. In the meantime, cement makers in RAK had sharply increased the cement production base, boosting overall cement output capacity by around 60% to reach a total of over 9m tonnes per annum. The UCC has commissioned a 10,000 tonnes per day (tpd) clinker kiln, increasing its yearly capacity from 1.2m tonnes to around 4.2m tonnes per annum, while the Gulf Cement Company installed a second production line, upping its clinker production capacity from 1.3m tonnes to 3.8m tonnes per year.

However, a shortage in the supply of natural gas, coupled with pressures to keep up with strong demand, has forced some producers to instead use more expensive fuels, such as diesel or coal, which in effect has eaten into profit margins. Indeed, the price of coal has risen to about $150 a tonne from $80 to $90 a tonne in 2007.

prototype of around $5m for a solar island. The 86-metre prototype is expected to be expanded to up to 500 metres in the second phase, which would make it a proper power plant project, CSEM said.

Other major infrastructure plans include expanding the emirate's ports and airport. Under a 20-year master plan the RAK International Airport will see the construction of new passenger terminals with air bridges to increase capacity to 1.5m passengers per year, a cargo terminal, expanded runways, automated cargo warehouses, a free trade zone, offices and restaurants, five-star hotel properties and flight schools. Both of the emirate's main ports, Al Jazeera and Saqr will also undergo major expansion works, such as a dry dock that will sport 12 dry berths, eight of which will be 60 metres in length.

Local contractors, such as the Al Shaheen Group, are already reaping the benefits of these projects. The group is involved in preparing the site for the dry dock and is also doing work at the RAK International Airport expansion for an 1800-metre long taxiway, a 2400-sq-metre apron area and additional smaller taxiways. Abdullah Hasan Shaheen, the chairman of Al Shaheen Group, told OBG that with the state of new developments in the emirate, there will be enough work for the next 10 years, noting that the piling business will be huge.

Frank Schmelter, the design manager at Cladtech International, a company owned by Al Rajhi Investment Group, which has an aluminium factory, a surface treatment unit and a glass processing plant in RAK, told OBG that the number of new companies setting up shop in the emirate has acted as a magnet for factories. And the number of factories has mushroomed in the past two years.

He noted that many factories currently do not want to invest in Dubai because of the high prices and limited room to expand, adding that a positive point about RAK is that you can have labour accommodations on site, which saves on transport costs. If the authorities solve the power problem, he said, expansion will be unstoppable. However, despite the current abundance of land, given the relatively small size of the emirate, fully fledged development may mean a squeeze on supply in the future.

With all the projects under way, there is enough work for 10 years

RAK Properties, meanwhile, is also looking outside the emirate, acquiring land in Dubai where it plans to introduce a new project in due course. In Abu Dhabi the company is developing RAK Towers – a Dh300m ($81.7m), 43-storey residential tower, and several other developments on Al Reem Island in Abu Dhabi as well. It also has land in Georgia and Tanzania for future developments.

OUTLOOK: These are busy times for RAK's construction sector and the emirate is being transformed by all the building activity currently taking place. However, there are still some bottlenecks to sort out in terms of managing what has been a sudden upsurge in growth over the past two to three years. Once these obstacles are cleared, the emirate will be a very attractive destination for visitors and residents alike.

Under a 20-year master plan, RAK International Airport will see the construction of new passenger and cargo terminals as well as expanded runways, among other improvements.

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Abdullah Mohammed Al Sayyah

Managing the variables

OBG talks to Abdullah Mohammed Al Sayyah, General Manager, Union Cement Company (UCC); Chairman, UAE Cement Producing Association

With five cement companies operating in RAK and a sixth on the way, to what extent will the regional market be able to absorb the extra production?

AL SAYYAH: Total cement consumption in the UAE amounted to 21m tonnes in 2008. As the international economic slowdown is affecting the developers and construction companies in the UAE, we can expect a decrease in the demand for cement in 2009. Export markets are limited for UCC as most of the production serves the local market. However, we might seriously consider significantly increasing our export activities. Indeed, as the demand for cement in the UAE decreases, the competition will not only further intensify between local producers, but also with foreign producers in the mix who import cheaper products. The cement companies will therefore have to adapt their strategies to a new market model and most will probably look to increase their exports.

The Ministry of Economy recently announced that there is no plan to revise the fixed price of cement. What are the implications for RAK producers?

AL SAYYAH: Cement prices are capped by the government at Bh360 ($98) per tonne for bulk cement and Bh16 ($4.30) per bag. Cement producers were looking at increasing the fixed price, however, at the same time we would like to have a price that will satisfy both the producers and the end users. Our view is that market forces, characterised by lower demand in 2009, might drive prices down until the construction industry picks up again in the near to medium term.

How are you developing a strategy that takes into account price volatility and demand fluctuation?

AL SAYYAH: Alternative fuels and raw materials are key to all producers. By reducing production costs you will be fit enough to survive the worst market conditions. Demand is currently slowing down and the future is certainly unpredictable at best. Thus, the best strategy is to focus on cost reduction and operational efficiency.

What effect are current market conditions having on your raw-material supply prices?

AL SAYYAH: Raw material prices are affected by several variables, namely: international market prices, freight prices, oil prices and technology used to extract these raw materials from their original sources. After a huge spike in 2008, prices have currently eased.

Do you feel enough is currently being done to address the energy shortage issues affecting cement producers' activities?

AL SAYYAH: There is very close coordination between the cement producers and the government to tackle energy shortage problems. In fact, this cooperation has resulted in the birth of RAK Energy, a devoted power-generation station that serves the cement producers in the emirate. RAK Energy's main objective is the generation, transfer and distribution of power to the cement plants located in RAK.

What technological advancements and initiatives are currently being developed to minimise the impact of the cement industry on the environment?

AL SAYYAH: All factories have to take the responsibility to limit the impact of their activities on the environment. The Environment Protection and Development Authority is monitoring cement producers to make sure they are respecting international norms by investing in the latest green technology available.

Environmental safety is at the top of our priority list. On several occasions, we have sacrificed the production of cement by stopping our equipment when emissions had exceeded internationally accepted standards. Moreover, work is currently in progress to cover up the remaining 40% of the raw-material yards, along with the coal yard and the clinker yard, in order to decrease emissions. Also, a huge modification project to reduce dust emissions from our Kiln No. 3 is currently under way. UCC has a dedicated environmental section which constantly monitors the level of emissions at the plant.

Projects in the works include residential and commercial components

A change of scenery

Large landmark projects will change the face of the emirate

Developers in RAK have kicked off a number of landmark projects that they hope will propel the emirate towards becoming a top destination in the Gulf. RAK has the advantage in the sense that it can learn from mistakes that others had committed during their heady days of frenzied building sprees.

GATEWAY CITY: One of the massive projects currently under way is the Gateway City, a centralised zone and a city centre at the heart of the emirate, which is planned to double RAK's population and attract around 250,000 people.

The city is – in effect – a combined residential and commercial development that will include an exhibition and convention centre, 1800-room hotels, a 50,000-sq-metre shopping mall, office units and apartments. It is a 10-year project.

The current project model now includes a green band running through the city, in addition to an artificial island in order to create more recreational spaces. The project will be executed in five phases, the first of which will involve the construction of residential and commercial units.

OFFSHORE CITY: Another landmark construction will be the Offshore City. The Offshore City is located on a 750,000-sq-metre plot and will house residential apartments, hotels and commercial complexes. The developer expects that the emirate's political stability, tax exemptions and other incentives, including geographical proximity to strong business links, will prompt investors to view Offshore City as an offshore haven.

The project will entail a total of 12 towers, the highest of which will reach 65 floors and the second-highest 60. Rakeen, the lead developer of Offshore City, will be in charge of the two central towers, which architecturally will be the most challenging. One of the towers will house a five-star hotel and apartments, and the other will have offices.

In addition, the city will be looking to attract multinationals, high-net-worth individuals, family businesses, banks, insurance companies, fund management firms and licensed ancillary services. In effect, the Offshore City is expected to attract a different level of interest into the UAE, such as transit visitors, offshore training and people looking to relocate their corporate head offices.

In general, there has been a shortage of corporate real estate in the emirate and authorities are banking on the city to address this and unveil RAK as a corporate destination.

MINA AL ARAB: The Mina Al Arab project is a $2.3bn development from RAK Properties. The 2.8m-sq-metre resort-style, multi-use gated community on the seafront will include nine international hotels and a nature reserve with a visitor's centre. Mina Al Arab also will feature a number of resort hotels, an Arabian adventures theme park, a medical centre, a small water park, a marina, a heritage village and two eco-friendly hotels.

The project will contain a cluster of 3500 residential units and 388 residential villas of various architectural styles. Phase one of the project includes 3500 residences and 3500 hotel rooms, and is expected to be completed in 2015.

AL MARJAN: Elsewhere, land reclamation works have been completed for the creation of man-made island developments that will eventually comprise residential, hotel and commercial aspects.

Among these island projects is the Al Marjan Island, which will be developed over 2.7m sq metres of reclaimed land that will extend 4.5 km into the sea from the emirate's mainland.

DANA ISLAND: In addition to Al Marjan Island is Dana Island, which will be bigger than Al Marjan Island. Despite the project's size, the lead developer, Rakeen, has made it a point to make the project ecologically sound, according to company officials. In order to make the development more green, highly advanced construction techniques are being used to preserve the islands' natural habitat.

One of the emirate's larger projects is planned to double RAK's population and attract some 250,000 people. Other developments will include new towers, hotels and residential space, most of which will be along the waterfront.

Naser Bustami

Rock solid

OBG talks to Naser Bustami, General Manager, Stevin Rock and RAK Rock Company

How do you see the outlook in demand for rock and aggregates in the coming years?

BUSTAMI: The demand in 2009 for aggregates used in concrete and asphalt applications is likely to continue for the infrastructural projects in the emirates. However, it is likely to grow from 2010 onwards once the current market conditions stabilise and the real estate projects come back on stream. The demand in 2009 for rock used in sea defence and coastal protection applications is likely to remain strong as we are tendering for two major infrastructural projects with the Abu Dhabi National Oil Company. We believe that in 2010/11 onwards, once the current market conditions stabilise and the real estate projects come back on stream, Nakheel development projects will restart again and the demand for rock will increase over the next 3-5 years.

For how long can the limestone quarries in RAK continue to produce before depletion?

BUSTAMI: Based on current yearly production output at our three sites, reserves are anticipated to last for the next 100 years. Note that our reserves are a small portion of the mountains present in RAK and, as such, the mineral industry is likely to continue beyond that.

Are market conditions affecting raw material prices?

BUSTAMI: The current market conditions have slightly affected our prices as the supply is exceeding demand and, therefore, prices will start to drop. However, our company is an ISO 9001-2000 accredited company and we trade on our quality, service, reliability and technical knowledge to ensure that we get the big contracts that are being offered in the market. We do also have the flexibility of maintaining our prices at a certain level to support the major contracts and secure long-term contractual agreements, around which we can develop our strategy. Our business is a high-volume, low-value product, so we are driven by production capacity and economies of scale in order to keep production costs down and maintain current profit margins.

What challenges have been created by the slowdown in the quarrying industry?

BUSTAMI: The challenges remain in maintaining lower production costs, complying with the federal and local environmental requirements, collection of outstanding receivables and ensuring that development plans are executed despite the reduction in our cash flow.

What are your concerns regarding the availability of workers in the emirate?

BUSTAMI: The labour force appears to be a major challenge and an increasing problem for the quarry industry. The majority of the labour force is coming from South-east Asia, which requires spending a lot of time and money for training. Today, it is not only very difficult to recruit and train the employees but mostly to retain them. To face this situation, we had to increase the salary three times in 2008 and we are now looking at recruiting in other markets, such as Nepal and Philippines – not just India. We are also promoting from within to give employees a sense of loyalty, and we have a loyalty scheme programme where everybody staying more than three years receives an increase in salary. In today's market, companies have to be efficient and competitive enough to retain their employees.

What are the implications of the acquisition of RAK Rock by Stevin Rock for the industry?

BUSTAMI: Stevin Rock took over RAK Rock's management on October 1, 2007. Resources-wise we have established links but the commercial phase is kept separate to be more flexible on the markets we operate in. We updated the management system of RAK Rock and are now working on developing the quarry following engineering requirements that will develop and increase our production. Stevin Rock is 80% dedicated to the Dubai construction market and also supports Kuwait, Qatar and Bahrain. RAK Rock is primarily producing the raw materials to support the local cement plants and export the surplus to Abu Dhabi and India.

Major developers have been achieving net profits of 15-20%

Living space

Opportunities on the rise in a unique environment

Having thus far avoided the thick congestion and sky-rocketing prices that have plagued some of its fellow emirates to the south, RAK ranks high in terms of liveability and affordability. This quality of life has hence spurred increasing demand for real estate property as many people have been relocating to RAK from Dubai and other Gulf Cooperation Council (GCC) countries – an inflow that has been growing owing to the country's increasing industrial base.

Indeed, RAK's expanding free trade zone, which is centred mainly around light and heavy manufacturing, has meant an influx of skilled Indian and European engineers, among others. In addition, one can operate a business for about a third of the cost compared with other locations in the UAE, while being only one hour away from most customers and being accessible to both Saqr Port and RAK International Airport.

POPULAR: Another key driver behind rising demand in the emirate has been RAK locals who have worked in Dubai or Abu Dhabi and returned to buy their family a home, or a second home for themselves. On top of this, the RAK government has estimated that the emirate's population will rise from around 200,000 to 750,000 by the year 2020.

However, rents have also shot up, nearly doubling in 2008. In addition, there is a shortage of one- and two-bedroom apartments across the board. According to property management firm Asteco, in the studio category rents rose by 14% in RAK.

A one-bedroom apartment is now leased for a minimum of Dh45,000-50,000 ($12,253-13,615) per year and a two-bedroom apartment can run from Dh75,000 ($20,422) to Dh80,000 ($21,784) per year. Because of the overall shortage, landlords have had a lot of leverage in deciding what to charge as an available house means a rush of potential buyers.

Estimates show that about 15,000 housing units are needed in the next five years. Private investment meanwhile is expected to come in thick and fast, which will spawn a host of new units and high-rise apartments across the city. Major developers active in the emirate have so far been achieving average net profits of 15-20% on their projects.

There is also considerable room on the hospitality side, such as hotels and spas, as RAK has seen improvements in services and amenities. Indeed, of the $16bn in major real estate projects under construction in RAK, a bulk are to be mixed-use and integrate tourist facilities such as hotels and vacation villas.

Tourism in RAK has been increasing at a brisk pace. Between 2001 and 2005 the sector enjoyed a compound annual growth rate of 45.3%, with the number of hotel nights reaching about 500,000 in 2007. Occupancy rates average around 93%. Given these figures, RAK Tourism has announced that the number of hotel rooms in the emirate is expected to increase from the current figure of 1800 to 7500 in the next five to 10 years. New developments include 20 new five-star hotels run by international operators.

Still, developers have noted the lack of a secondary market and the fact that things like classified advertisements have yet to materialise on a widespread basis, meaning buyers still go more by word of mouth. Other issues facing developers are the rising cost of labour and building materials (with the exclusion of the decreasing price of steel), contractor delays and a dearth of consultants on the market.

REGULATION: There have been calls from some quarters for the establishment of a federal regulator for the real estate sector. Currently the UAE does not have a federal law that regulates foreign and UAE/GCC national ownership of property in each of the emirates. The Civil Code generally leaves it to each emirate to issue its own local decisions. Proponents of a federal authority say it could regulate the sector by implementing a unified code of conduct for all companies, as well as monitor and meet the market's needs. Also, a federal property law comprising unified regulations would help to boost investor confidence in RAK as there would be clear guidelines regarding rules and regulations.

The RAK government has estimated that the emirate's population will rise from around 200,000 to 750,000 by 2020. According to projections, RAK will need around 15,000 housing units in the next five years.

Tourism has been growing briskly in RAK. Between 2001 and 2005 the sector saw a compound annual growth rate of 45.3%. Given this trend, RAK Tourism announced the number of hotel rooms will rise from 1800 to 7500 in the next five to 10 years.

A government-created property developer has a slew of projects set to come on-line soon

A key step in this direction was the announcement of the implementation of a developers' escrow law that will be similar to the law enacted in Dubai in 2007. Under the law, developers in RAK would have to open an escrow account if they are to sell properties "off plan", meaning before construction is finalised. This means that any money the developer collects from buyers or cash proceeds from bank financing would have to be directed into the account. All monies collected from purchasers, as well as the proceeds of any bank finance procured by the developer for the construction of the project, would need to be paid into the escrow account. Payments out of the escrow account would be tightly controlled.

Escrow accounts are also seen as a welcome measure in light of the worldwide uncertainty roiling real estate markets as it allows the government to know what was occurring in the market on a daily basis, as well as allowing consumers and developers to monitor and better understand the market.

Other pluses that the emirate offers, according to developers, include little red tape, high transparency, easy regulation and a tax-free environment. Furthermore, the free trade zone is attracting a clutch of potential clients. There is also less concern over the impact of the credit crunch in RAK compared to other emirates or GCC countries.

WEATHERING THE STORM: Although RAK has seen nowhere near the amount of speculation that has driven up prices on a weekly and even daily basis in other emirates, it is not entirely immune. "The UAE property market has been good in the past 30 years and excellent in the last five years," said Sheikh Tariq Al Qassimi, the chairman of the Union Group of Companies. "Everybody is affected by the international economic situation and [even] if the market is not as good today as it used to be, the profit margin will remain high. The RAK property market is less impacted and will continue to offer good opportunities. The market prices will correct themselves and this situation also gives the opportunity to RAK to organise its in-house issues such as administration, systems and staff."

It is considered that the more financially solid developers will be able to weather the economic crisis and in the end will be able to strengthen their positions on the market as bargains and opportunities arise, Wahid Attalla, the executive director of Rakeen, one of RAK's leading developers, told OBG. "I think with the speculators pushed out of the market, the real estate developers that had a good war chest in place will be able to secure some sites and do some land banking for future development, ride out the storm and reposition themselves for when things turn around."

He added that the market will consolidate to become more professional and efficient, and best practices will be put into place, boosting transparency.

Nonetheless, Ahmed Saif Belhasa, chairman of the UAE Contractors' Association, told the local press that the UAE faces no liquidity problem and has a strong economy. He noted that most of the emirates, such as RAK, are witnessing an increasing demand for housing units and have very little supply.

Still, there have been some signs of the international crisis spilling over into RAK. Mohammed Sultan Al Qadi, the managing director and CEO of RAK Properties, told OBG that, "Demand has slowed slightly owing to the economic crisis and people have adopted a wait-and-see attitude. However, we are confident that demand will be stable again very soon, thanks to various factors, such as the trust in the banking sector due to the deposit guarantee implemented by the Central Bank on all local and foreign banks in the UAE." He added that RAK Properties' developments in RAK have all continued unabated as the company has nearly completely sold out its launched projects.

SUPPLY ON THE WAY: RAK Properties was created by the government to develop the emirate's real estate sector and has a slew of projects in the delivery pipeline. The company is listed on the Abu Dhabi Securities Market. Its main project is Mina Al Arab, a mixed-use leisure and holiday beach resort development that spreads over an area of 4m sq metres, with a valuation of nearly $3bn. It will feature a cluster of 5500 residential units and 388 residential villas. The company has secured hotel agreements with four operators, namely Hilton, InterContinental, Rotana and Millennium. The project should be completed by 2015 and 80% of the launched projects have already been sold. The company's other major project, Julfar Towers, a Dh500m ($136.2m) residential and commercial freehold development comprised of two 45-storey towers, one residential and one office, is also expected to be finished by the end of 2009. The residential tower will host 349 apartments, while the office tower will include 468 units. RAK Properties announced a net profit of Dh114.58m ($31.2m) for the first three months of 2008.

Another developer expanding despite the UAE's slowdown is Solanki Real Estate, a subsidiary of Dubai-based Solanki Holdings, which announced in December 2008 that it would begin a $2.5bn project on the Al Marjan Island in RAK. Group officials noted that the

The UAE faces almost no liquidity problems and has a strong economy. Most of the emirates, including RAK, are seeing an increasing demand for housing units and have very little supply.

emirate's rising population and need for medium- to high-end properties were key factors in their decision. The investment will include 1500 apartments, 100 villas, commercial units, around 13,006 sq metres of retail space and a hotel.

The Al Marjan development was undertaken by Rakeen, a joint-stock company serving as RAK Investment Authority's (RAKIA) property and asset development arm. Khater Massaad, the CEO of RAKIA and advisor to RAK's crown prince, is the chairman of Rakeen's board. The Al Marjan project consists of four coral-shaped islands and peninsula that include commercial and residential developments spread across an area of 2.7m sq metres. The Al Marjan project is 90% complete in terms of the reclamation process, according to Rakeen, and the handover to developers started in the second half of 2008, while the infrastructure will be put in place throughout the first half of 2009.

Other projects include Yes Property Investment's The Quay, a 1.5m-sq-feet mixed-use project of commercial and residential units; the Dh8bn ($2.18bn) Shah Rukh Khan Boulevard, a development comprising multiple residential towers on Dana Island; and the Boris Becker Beach Resort & Tennis Academy, a Dh3bn ($816.9m) recreational and residential project that will feature a spa, five-star hotel and a tennis academy.

HIGH END: Another project targeting the high-end market is the Al Hamra Village, developed by Al Hamra Real Estate. When complete, the Dh4bn ($1.09bn) resort and residential development will house more than 4500 residential units, a marina, three hotels, an 18-hole golf course and a shopping mall. The first two phases are complete and construction has started on phase three. Already, 70% of the units have been sold out and the remaining units are managed through real estate for leasing to expatriates living in the UAE.

Meanwhile, Orascom Hotels and Development, one of Egypt's largest land development companies, was one of the first foreign developers to step onto the RAK market with its beachfront and freehold development, The Cove. According to Sherif Abou Taleb, the managing director of The Cove Ras Al Khaimah, the investment has reached Dh350m ($95.3m), which includes 188 villas that have an average of two rooms and 80 residential apartments, all which have been sold.

A five-star hotel has also opened in February 2009 with 200 rooms and 75 villas. The group's plan is to sell the residential units and finance the hotel, which will be its revenue generator. Construction on the development started in January 2006.

Taleb says that the main challenges for the contractor have been the labour rules and the overall shortage of electricity throughout the emirate, which led to the group setting up its own generator. But he also noted that it is much easier to do work in RAK as the land was allotted directly by the government, whereas in other places one has to put up with a slew of red tape to procure things like permits. For the project, the

The main challenges for developers in RAK have been the labour rules and the general shortage of electricity, but there is less bureaucracy and onerous paperwork to contend with in the emirate.

RAK CAM
Ras Al Khaimah Center for Advanced Materials

Ras Al Khaimah Center for Advanced Materials

Ras Al Khaimah Centre for Advanced Materials (RAK- CAM) under the patronage of **H.H. Sheikh Saud bin Saqr Al Qasimi**, is being attended by world's leading materials scientists and around 100 researchers from 20 countries.

Ras Al Khaimah will set up by 2010 one of the most sophisticated research facilities for Advanced Materials in the region under the banner of RAK- CAM, which was launched in 2007.

The construction of a stunning 7500 square metre building for RAK- CAM will begin in early 2009 at a site close to the Emirates Road. By early 2010, the facility will be equipped with state- of- the- art equipment such as electron microscopes, x-ray diffractometers, optical spectrometers and so on.

RAK- CAM embraces materials science in its broadest sense, from well- known construction materials like concrete and glass, to sophisticated materials that underpin the function of solar cells, catalytic converters, computers and cell phones. And world class Scientific Advisory Board, under the chairmanship of Professor Anthony K Cheetham of the Department of Materials Science at the University of Cambridge, has been established for RAK- CAM.

Our strategy is based on selecting a research area and hiring the most qualified researchers in the world to accomplish the project and making sure that the research team is equipped with state- of -the- art tools in an inspiring and nice facility. RAK- CAM will in the first phase create eight interdisciplinary research groups, each consisting of 4-5 scientists including post doctoral researchers and visiting professorship from across the world.

RAK- CAM has already started providing the 'Sheikh Saqr Al Qasimi Research Fellowship' to support post doctoral research. Currently Sheikh Saqr Fellowship programmes are being held in Bangalore, University of Pennsylvania, University of Cambridge and Virginia Commonwealth University. The purpose of the Research Fellowship was to further scientific research and help create a permanent research team at RAK- CAM.

RAK- CAM would also establish research initiatives for undergraduate students in the region thereby enabling them make use of the advanced laboratory facilities at RAK- CAM, apart from special programmes for science teachers and high school students in the region.

Ras Al Khaimah Center for Advanced Materials
P.O.Box. 559 Ras Al Khaimah U.A.E.
Tel. No.: +971 7 2588666 - Fax: +971 7 2588777

Information and Inquiries
www.rakcam.org
info@rakcam.ae - stevin@eim.ae

RAK's Planning and Survey Administration established a master plan for the emirate in 2007 that will run until 2025. The plan divides up the land among residential, commercial and other uses.

group set up a company in the RAK Free Trade Zone, RAK Tourism Investment, which, Taleb told OBG, made things considerably easier as the free zone obtains permits for labourers and organises flights and labour accommodation. "It is good to have a government arm behind you," he said.

LAND USE: The Planning and Survey Administration, a department within the RAK municipality, had established a master plan that was approved in April 2005 and will run until 2025, which basically divides up the land between residential, commercial and other uses, such as tourist developments.

The emirate has two systems for land use: private land ownership and government land grants that are strictly for residential purposes – people can build homes on the plot but cannot sell or buy thereafter. A subdivision plan has been put into effect starting with the northern part of RAK that encompasses everything for development and land use. The master plan in 2005, however, only covered what is called the urban area of RAK that stretches from the international airport to the northern border.

To cover the more uninhabited southern portion of the emirate, the department signed a contract with the American University of Sharjah to study and establish a master plan for the area, which is expected to wrap up in December 2009. The Urban Planning department at the university developed the project as a continuation of the northern plan and used the same methodology and allotted certain land plots for residential, commercial and tourism developments.

The south is especially well suited for tourist sites given its natural beauty and mountainous areas. But beyond tourism the plan focuses on core issues such as economic and social development, as well as building sustainable infrastructure such as proper road networks for more remote villages – in effect allowing more opportunities for the people in the area.

The department also has a project to establish a geographical information systems centre that would create a database for RAK to help future planning by providing more updated and accurate information to other government departments and companies.

OUTLOOK: The demand for real estate is expected to only grow in the near future, given recent economic developments and a business-friendly environment within the emirate. However, with massive growth in property development, the RAK government has had to grapple with such issues as power shortages, as power generation and water desalination capacity are coming under increasing pressure. Such concerns have delayed some projects, creating suppressed demand. The government has said that this problem should be cleared up in three years with the construction of new plants. RAKIA, for example, is building a 45-MW power plant, to be followed by another 140-MW plant in Al Hamra Village. And once the energy issue is resolved, RAK's real estate sector is expected to hit full stride.

There are many opportunities for retailers to move into the emirate

Retailing potential

Providing more outlets for local shoppers

Retail business has been a major driving force behind the UAE's development, attracting crowds of tourists from around the world looking to splash out on shopping. The retail sector in RAK is still in its early stages but is now starting to gather steam.

EXPANSION: The Manar Mall is the emirate's flagship shopping centre and has registered considerable success. Indeed, 2007 saw a 70% increase in profits, according to mall officials. Owned by Sheikh Saud bin Saqr Al Qasimi, the crown prince and deputy ruler of RAK, the mall's management has drawn up extensive expansion plans.

The design and concept plan calls for a mixed-use development with two residential 23-floor freehold towers each housing 195 apartments, as well as a four-star hotel tower and two car parks.

Under the new plan, the built-up area in the mall is to be expanded almost three-fold, from a current 45,000 sq metres to 152,000 sq metres. The land has already been secured and works could last until 2013, Benoy Kurien, the mall's manager, told OBG. However, the plans also hinge on how the local market handles the global financial crisis, although Kurien believes there is sufficient demand within the retail sector. To this date at least, the mall has not seen any let-up in the number of customers.

The mall currently has a footfall of 950,000-1m per month, and is expected to grow even further, hence the need for expansion of the shopping and parking facilities. As RAK's economy has been growing, the mall's customer profile has also been changing, Kurien said. He noted that five years ago about 70-75% of shoppers were locals and Arab expatriates living in RAK. Now there has been a noticeable increase in tourists as well as Westerners living in RAK, making up about 15-17% of the customer base compared to about 3% to 5% five years ago.

However, he pointed out that the retail offer in RAK is still low – less than 10% of the potential – and there is a large opportunity for more retailers to move into the emirate. Currently the Mall of the Emirates in Dubai is Manar Mall's number-one competitor because of its easy access to the Emirates Road. However, due to increasing traffic people are more prepared to stay in RAK to do their shopping.

In addition rents are considerably cheaper in RAK. In Manar Mall rents average Dh180-220 ($49-60) per sq foot per year compared with Dh600 ($163) in the Mall of the Emirates. Manar Mall boasts around 70 retail outlets in addition to 40 kiosks, a Carrefour, a Cineplex with seven theatres, a recreational area for children called Fun City and a food court.

INCOMING COMPETITION: But more competition will soon arrive in the form of the Al Hamra Mall, which is scheduled to fully open in 2009. The mall will host more than 150 shops and cover an area of about 38,000 sq metres. It is a part of the 5m sq metres of Al Hamra Village real estate project. The mall was originally slated to open in the middle of 2007.

Similarly, after about two years of delays owing to power problems the RAK Safeer shopping mall has also opened its doors. The mall will have 120 retail outlets and is angling to position itself as the new, main shopping centre. The two-level mall was built at a cost of around Dh200m ($54m), extends more than 43,582 sq metres and is surrounded by landscaped gardens and ponds. It also has a 240,000-sq-ft car park with room for 900 cars. The Al Safeer Group also manages Dubai's Century Mall and the Safeer Malls in Sharjah and Ajman.

However, the biggest challenge for the up-and-coming as well as existing retail centres will be staving off the effects of the financial crisis. Local businesses are expected to evaluate the results in the first few months of 2009 to see if there are any shifts in spending patterns. Overall, however, with such major plans for the expansion of the emirate's retail sector, coupled with the emirate's rising population and real estate and property development growth, the retail sector has a wide scope for further growth.

The retail sector has always been a driving force behind the UAE's development, and RAK's is starting to gather steam now, with an array of large malls coming on-line soon.

By sand and sea

Major projects will redefine the emirate's coastline

Gateway City

Developer: Rakeen
Cost: $7bn
Completion of phase one: 2012
A self-sufficient city, Gateway City will reach over 10.8 sq km and will be home to 260,000 people. The project spans five phases; phase 1 will produce an integrated city to service, support and supplement RAK City.

Dana Island

Developer: Rakeen
Cost: $2.5bn
Completion: 2012
Dana Island has been developed to accommodate a range of commercial and residential complexes, hotels and leisure and recreational facilities. The project extends 7 km into the sea and creates 50 km of new coastline.

Mina Al Arab

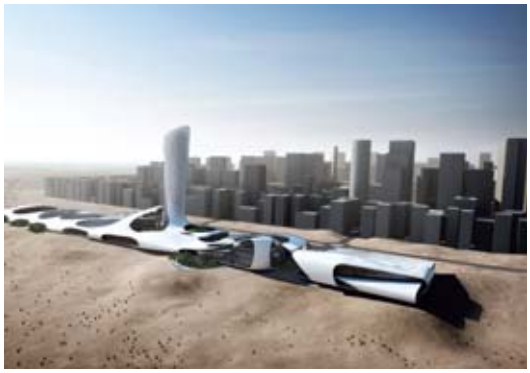
Developer: RAK Properties
Cost: $2.3bn
Completion: First phase, 2010
A resort-style, multiuse gated community on the water, this development will include nine hotels, a nature reserve with a visitor centre and waterways. Phase 1 includes 3500 residences and 3500 hotel rooms.

Shah Rukh Khan Boulevard

Developer: TSA Group
Cost: $2.2bn
Completion: 2012
This Dana Island project will be a beachfront community comprised of 10 residential towers with studios, one- and two-bedroom apartments and townhouses. There will be a focus on a range of lifestyle amenities.

Al Marjan Island

Developer: Rakeen
Cost: $1bn
Completion: 2009
The first man-made island to be developed in RAK, the Al Marjan development will extend across a cluster of four coral-shaped islands and a peninsula. It includes waterfront villas, hotels, resorts and sporting facilities.



RAK Convention & Exhibition Centre

Developer: Rakeen
Cost: $800m
Completion: N/A
Built to accommodate and host primary functions, the centre includes a 1500 seat congress hall, 50,000 sq metres of rental space in five exhibition halls, three hotels with 1800 rooms, and a three-storey shopping mall.

Boris Becker Beach Resort & Tennis Academy

Developer: Middle East Vision
Cost: $816.8m
Completion: 2010
Located on Marjan Island, this development includes premier holiday homes, a luxury resort with spa facilities, a five-star, 223-room hotel, 1000 serviced apartments, a tennis academy and a conferencing venue.

RAK Offshore City

Developer: Rakeen
Cost: $800m (Towers number 6 & 7) – total cost N/A
Completion: 2012
Set to become a new centre for the offshore financial operations of the regional business community, the 750,000-sq metre project includes several towers with offices, apartments, hotels and commercial areas.

Bab Al Bahr

Developer: Rakeen
Cost: $300m
Completion: 2012
Situated in Al Marjan Island, this resort will feature six residential buildings, 832 residential freehold apartments, a five-star hotel, a 20-storey office tower, schools, hospitals, gardens and a shopping mall.

Bab Al Badr

Developer: Emyproperty Development
Cost: $299m
Completion: August 2011
Composed of twin elliptical towers linked by a sky bridge to a residential tower, Bab Al Badr will offer studio, one- and two-bedroom apartments, as well as duplexes and townhouses. It also includes sport and health facilities.

Yasmin Village

Developer: UniEstate
Cost: $272m
Completion: Ph.1: March 2009, Ph.2: December 2009, Ph.3: December 2010
Yasmin Village is a residential and commercial project that will feature lakeside and valley/mountain view apartments, sport facilities, shops, cafes and eateries.

Julfar Towers

Developer: RAK Properties
Cost: $136.2m
Completion: 2009
A 45-storey twin office and residential project, including a plaza-level retail cluster. Office towers are free zone facilities offering 100% foreign ownership, 100% capital and profit repatriation and 100% tax exemption.

Industry

Favourable terms and a good location facilitate growth
More power plants and energy solutions in the works
Free trade zones attract an increasing number of firms
Looking abroad to invest in minerals and metals
Niche cement productions set the sector apart

In 2007 the manufacturing sector accounted for 8.8% of RAK's GDP

A solid base

Good infrastructure and investment bode well for the future

The industrial sector has accounted for a substantial amount of the economic growth in the emirate, with RAK's GDP increasing by more than 50% between 2004 and 2007.

Ras Al Khaimah has a long industrial history, with the first operations pre-dating the establishment of the UAE itself. While much of the region focused on hydrocarbons extraction, RAK turned to its mountains, where limestone, gabbro, silica and other clays provided a foundation for the cement, ceramic and glass industries. As these segments have spawned companies that put RAK on the map, the government has worked to build on the country's success and diversify the industrial base through infrastructural and regulatory incentives.

ADDING IT UP: In 2007 the manufacturing sector accounted for 8.8% of the emirate's GDP, and quarrying and mining comprised a further 11.4%. The industrial sector has accounted for a substantial amount of economic growth in the emirate in recent years, with RAK's GDP increasing by more than 50% between 2004 and 2007.

The main vehicle for this development has been the RAK Investment Authority (RAKIA), which attracted more than $2.2bn of investment to the industrial sector from its inception in 2005 to the end of 2007. RAKIA has helped diversify the emirate's industrial base via the institution of a number of regulatory incentives, as well as capital injections. The authority is now directly or indirectly involved in a number of major industries, ranging from glass and ceramics to metals and minerals.

FREE ZONES: Moreover, industrial zones managed by RAKIA have shown strong levels of occupancy. The 3m-sq-metre Al Hamra Industrial Zone, which includes companies of free zone and non-free zone status, is operating at 100% occupancy. The free zone component, which was established in 2005, has been fully leased to 117 companies, 77% of which are involved in manufacturing.

Investors have poured more than $2.2bn in the industrial sector between 2005 and the end of 2007. A number of regulatory incentives and capital injections have helped to diversify the emirate's industrial base.

RAKIA's second undertaking, Al Ghail Industrial Zone, is also attracting quite a bit of interest. The 21m-sq-metre zone, 3.7m sq metres of which is free zone, began operations at the beginning of 2007 and already has been leased to more than 259 companies in industries ranging from steel, cement, and building materials to industrial gasses and glass. As a marker of industrial growth in the emirate, RAKIA's performance has been impressive. The authority witnessed a growth rate of 150% in the number of registered companies in 2007, bringing the total to just over 1000 in 2007 and continued to register growth, with 1691 licences by the end of 2008.

RAKIA's performance matched the operations of the RAK Free Trade Zone Authority (RAK FTZA), which registered 1585 new companies in 2008, bringing the total number of companies to 5476. This has had a sizeable impact on the performance of RAK as a whole, with these companies contributing an estimated $2.72bn to the local economy.

Considering that there is significant free zone space throughout the rest of the UAE, the growth figures in RAK have been impressive. Both RAK FTZA and RAKIA free zones offer a range of incentives, including 100% ownership and 100% repatriation of capital and profit, though the real competitive advantage in the emirate lies in the cost of business. "If you look at the prices compared to other zones, we are much more cost effective," said Oussama El Omari, the CEO and director-general of RAK FTZA.

While the emirate's authorities are seeking to complement rather than compete with the efforts of their neighbours, it is clear that industrial land availability and prices are favourable in RAK.

Indeed, even given some market-driven price increases since 2006, industrial land prices – which range from Dh10 ($2.72) to Dh50 ($13.61) per sq metre, depending on location – provide a strong incentive for companies to locate in RAK.

The RAK FTZA can boast a certain degree of diversity itself, as it consists of three main but separate sites: the RAK Free Trade Zone Technology Park, the RAK Free Trade Zone Industrial and the RAK Free Trade Zone Business Park. According to El Omari,

RAK's location at the crossroads of Europe and Asia and the strong business opportunities in the region can help the zone to develop even further. This is in spite of, or indeed possibly partly due to, the ongoing global economic downturn.

"With the international crisis, Western countries are looking to this part of the world as a safe investment destination," he told OBG in November 2008. "The region is emerging as a re-export centre, as reflected in our growing trade, and we want to make sure that we help those Western countries get out of the crisis by creating export programmes and business opportunities for them," he added.

There are already more than 5000 companies registered in the free zone, a number the management hopes will double in the next three years. To meet this objective, the FTZA has been pursuing an aggressive business strategy to promote itself in overseas markets. Having already established offices in Dubai and Abu Dhabi in the UAE, the zone's management has opened also offices in India, Germany, Turkey and most recently the US.

Indeed, there would appear to be a strong business rationale behind promoting the free zone in the US, El Omari told OBG. "In light of the fact that more than 13% of GDP in the US comes from exports and that US companies are seeking more tools to export their goods, we see a growing potential coming from the US market by supporting the US trade and export from Ras Al Khaimah," he said.

Another market being targeted is Turkey. According to RAK FTZA's regional manager in the country, there are already around 80 Turkish firms registered in the zone, with more expected to follow. This interest is only natural considering that Turkey is now the 15th largest economy in the world; it is the perfect time and opportunity for them to establish headquarters or branches outside of Turkey, and the RAK FTZA is the very gateway to make that happen.

A plus for the FTZA is the government's future plans to build four new power stations amounting to more than 500 MW, all due to be operational within three years, which will supply RAK FTZA's future needs. In addition, RAK FTZA is looking for temporary and alternative power to make sure that their current clients and projects will have uninterrupted electricity supply.

GETTING ON THE GRID: Short-term obstacles remain, of course. Although utility prices are low, with electricity being offered at $0.055 per KW and water provided at $0.082 per gallon, availability remains a challenge. Sahel Al Rousan, an economic advisor at the RAK Chamber of Commerce and Industry, told OBG, "At the moment, we have suppressed demand because lots of investors are looking at the emirate but there is no energy. We estimate that 35-50% of current power supply will go the commercial sector, which includes commercial, industrial, agricultural and professional activities."

While the Federal Electricity and Water Authority (FEWA) meets much of the demand required from the emirate's commercial sector, several companies have become reliant on using their own diesel generators for power. "We are working with generators because of the lack of regular electricity," Giampiero Alessandrini, the president of Cladtech, a Saudi-owned producer of aluminium and glass packages, told OBG. "We have 22 generators, so when the price of oil was high, the impact on costs was high, but now we are doing better. The energy problem will last another year so we need to deal with this disadvantage. We have plenty of advantages."

Energy-dependent industries, such as the emirate's cement companies, are taking measures to address this issue. The four main players in the emirate – Union Cement Company, Gulf Cement Company, RAK Cement Company and RAK White Cement Company – and RAK's quarrying company, Stevin Rock, have a combined peak demand requirement well over 100 MW. Although some power has intermittently been available from FEWA, the companies have had to look to their own plants and generators to meet their electricity requirements.

Consequently, the cement companies are now planning to form RAK Power, which will construct a 300-MW combined-cycle power plant at a cost of between $400m and $700m. Although the project is currently in the planning stages, it is expected to be fully operational by the end of 2010. According to current plans the power plant has the potential to be expanded to have a capacity of some 500 MW.

The emirate's cement firms are developing RAK Power, an electricity company planned to open in 2010

Development of industrial firms, 2003-07

	No. of firms	Investment (Dh m)	Labour
2003	91	3052	11,595
2004	92	3055	12,015
2005	101	3191	12,662
2006	111	3662	15,334
2007	127	4118	16,483

SOURCE: Ministry of Finance and Industry

A viable and growing market for the emirate's free trade zones is Turkey. The country already has 80 Turkish firms registered in the RAK FTZA, with more expected to follow.

Coal is a cost-effective option for RAK's cement industry, as fuel oil is relatively expensive and natural gas is not always available.

With FEWA allocating 550-600 MW for RAK for both residential and industrial use and the Abu Dhabi Water and Electricity Authority planning to export power to RAK through its new independent water and power project in Fujairah, eventual electricity provision could be substantial.

EFFORTS UNDER WAY: However, the government is working hard to meet the power requirements of industry in the short term. A new 80-MW power plant in Al Ghail Industrial Zone and the Al Hamra Industrial Zone's new 45-MW power plant will both become fully operational by the end of April 2009. Al Hamra II is slated to bring a further 120-130 MW to the emirate in about 12 to 18 months. RAKIA is also planning a 600-MW to 3000-MW coal-fired plant and its feasibility is currently being studied.

With RAKIA predicting that projects coming through the authority, including hospitality and real estate developments, will require between 3000 MW and 4000 MW up to 2014, the RAK government is making great efforts to meet this demand. "The shortage of power supply is going to be resolved in the next three years," said Al Rousan. "Investors are interested in the free zones and we are trying to direct them to low energy sectors."

The emirate is also taking measures to address other energy requirements for industry. While gas has been offered at the price of $5 per million British thermal units, which is approximately half the rate for liquefied petroleum gas (LPG), availability remains an issue. Some of the emirate's industries, such as cement plants, are looking to coal as a cheap and plentiful alternative.

The Union Cement Company, for example, commissioned a coal kiln in June 2008 in order to diversify its sources of energy supply. Compared to the relatively expensive fuel oil and inconsistently available natural gas, coal is a cost-effective option for the cement industry in the emirate. According to Mustafa Gorgunel, the marketing manager of the Union Cement Company, "Since we've started using coal there has been a drop in fuel costs for clinker."

INVESTING ABROAD

RAK has long distinguished itself as an industrial heavyweight, and the government is keen to ensure that this reputation endures well into the future. The emirate has a history in the quarrying and building materials industries, and the state is seeking to build on this and diversify the range and depth of minerals and metals at the emirate's disposal.

To this end the RAK Investment Authority (RAKIA) formed RAK Minerals and Metals Investments (RMMI) in 2006. The company, which is a 50:50 joint venture with Trimex Group, an Indian mining firm, is seeking to invest in industrial minerals and metals in the developing world. With $1bn earmarked for investment in 2008, RMMI has already stated its intent with investments in Indonesia and the Democratic Republic of Congo (DRC). In February of that year, RMMI signed a memorandum of understanding with the government of South Sumatra to develop the mining-to-export chain for the coal industry in the province. By the last quarter of 2008, it was in the final stages of coal exploration in Indonesia's East Kalimantan region.

To support the activities in East Kalimantan, RMMI announced in March 2009 that it was investing in regional coal infrastructure projects, which includes a railway network and a coal-loading jetty. According to Madhu Koneru, the managing director of RMMI, the coal infrastructure projects are integral to ensure the viability of the coal property being developed by RMMI with PT Kutai Timur Investama of East Kutai, East Kalimantan. Koneru said that mining operations would commence in early 2010 and production would increase to coincide with the completion of the railway network in 2012. The announcement was made following the signing of two agreements between RAK and Indonesia's East Kalimantan provincial government.

Koneru said the investments are being made for long-term, sustainable gains. With many basic industries switching to coal-fired plants for both electricity and production, a reliable and cheap source of the fuel would be welcomed. "With the escalating global energy demand, the Middle East will naturally have to diversify its energy sources. Many governments are now looking to coal as an alternative," Koneru said.

However, Koneru was quick to underscore that the company's priority commitment is to the emirate itself. "Fundamentally, all the investments abroad are aimed to cover coal requirements and electricity requirements for RAK, to ensure that the emirate has sufficient energy supply to fuel greater economic growth."

RMMI is looking at other metals and minerals including copper, cobalt and ceramic. It has invested $250m in the DRC in March 2008, forming a special-purpose vehicle (SPV) – RAK Minerals and Metals Congo – to operate in the country. The new SPV holds the mining concession for copper and cobalt for an area of 860m sq metres. Koneru said that this fits directly into RMMI's mandate. "We are looking at supply sources of raw materials, specifically in infrastructure-related areas. Even with a recession, building will go on and we need to acquire the minerals at the source," he said.

Koneru also remains unconcerned about price changes in the market. "On pricing we take 15-20 year averages," he told OBG. "For example, when we invested in Congo, copper was $8300 per tonne, but we invested based on a price of $4200 per tonne." Once exploration is finished and the firm begins exporting, the emirate will likely benefit from holding these assets and establishing itself as a global mining player.

The RAK Investment Authority's RAK Minerals and Metals Investments was launched in 2006 with a view to make significant investments in industrial minerals and metals in the developing world.

RMMI | RAK Minerals & Metals Investments
A part of RAK Investment Authority

The first Middle Eastern mining company with global reach

RMMI: Local insights. Regional knowledge. Global expansion.

RAK Minerals & Metals Investments (RMMI) is a joint venture between RAK investments Authority (RAKIA), a Government of Ras Al Khaimah initiative, and TRIMEX Group, a multinational minerals conglomerate with three decades of experience in mining and resources.

RMMI is fast becoming a world-leader in the global minerals and metals industries, investing strategically across the entire mineral value chain to deliver innovative mineral solutions to the developing economies of Asia and the Middle East.

Armenia | Democratic Republic of Congo | India | Indonesia | Kuwait | Malaysia | Singapore | Thailand | UAE

For more information, Call: +971 7 2444170, Email: info@rakminerals.com or log onto www.rakminerals.com

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TJ Shipping and Logistics

سنـــيـــفـــن روك ش ذ.م.م.
STEVIN ROCK L.L.C.

STEVIN ROCK L.L.C has been the leading quarry operator in the Middle East for the past 32-years. The Company has been operating since 1975 in the Emirate of Ras Al Khaimah, producing and selling in excess of 36 million tones of high-grade Limestone and Gabbro rock and concrete and asphalt aggregates for the construction markets. The company presently owns and operates three quarries located at Khor Khuwair, Al Ghail and Kadra in the Emirate of Ras Al Khaimah. The Company is Government owned and chaired by His Highness Sheikh Saud Bin Saqr Al Qasimi, Crown Prince and Deputy Ruler of Ras Al Khaimah whose continuous support has guided the management and staff of Stevin Rock to realize his vision in establishing the largest and the most professional quarrying company in the Middle East.

The Company is managed by an experienced and professional multinational team. Stevin Rock, has as its motto;

> "Provide excellent quality products and services to customers in a safe and efficient manner utilizing dedicated employees, productive equipment, and quality resources while maintaining corporate integrity and profitability and to produce and supply a high quality product and service, which achieves customer requirements, specifications and satisfaction, every time."

Stevin Rock has invested very considerable sums of money in the purchase of equipment for the mining, selection, and processing of aggregate and rock. A progressive corporate policy ensures a high level of both equipment maintenance and capital replacement.

Stevin Rock built its own 5-berth all weather harbour at Khor Khuwair, which is dredged to a depth of –6.5m ACD to enable entry of barges up to 25,000 tonnes cargo capacity. The berths are equipped with static ramp systems enabling the loading of barges from 2,000 to 25,000 tonnes cargo capacity at all stages of the tide.

The quality of products is monitored throughout the production, storage and delivery process through an in-house Quality Assurance Department that has an on-site laboratory testing facilities. Furthermore, the Company holds the ISO 9001:2000 Quality Management Certificate, which translates into Customer focus, Customer commitment, and inevitably Customer Satisfaction

Stevin Rock acquired Ras Al Khaimah Rock Company on 1st October 2007. By acquiring Ras Al Khaimah Rock Company, we became one of the largest quarrying companies in the world and producing more than 56 million tonnes per year. Since 1973 Ras Al Khaimah Rock Company has been producing aggregates for construction, cement Industry in local and Gulf region and the Indian Steel Industry.

Stevin Rock has supplied and is currently supplying products to many prestigious projects including the Dubai Metro Rail Project, Dubai International Airport Terminal III Expansion, Dubai Mall, Doha International Airport and the Burj Dubai, the World's tallest building.

In addition, we are proud to be the lead suppliers of rock materials to Marjan Island, Palm Deira, Palm Jebel Ali and the World Island projects as well as aggregate suppliers to Dubai Festival City, Burj Al Arab and Jumeirah Beach Residence Towers.

Stevin Rock L.L.C. continue to deliver quality, effective efficient services to our customers, we look forward to progressing through the 21st century.

STEVIN ROCK L.L.C.
P.O. Box 559 Ras Al Khaimah U.A.E.
Tel. No.: +971 7 2588666 - Fax No.: +971 7 2588777
e-mail: stevin@emirates.net.ae
Web Site: www.stevinrock.ae

جائزة محمد بن راشد آل مكتوم للأعمال
MOHAMMED BIN RASHID AL MAKTOUM BUSINESS AWARD

RAK ROCK COMPANY
P.O. Box 86 Ras Al Khaimah U.A.E.
Tel. No.: +971 7 2668251 - Fax No.: +971 7 2668994
e-mail: rakrock@emirates.net.ae

The government is also moving in this direction, as evidenced by RAKIA's plans for a 600-MW to 3000-MW coal-fired power plant. In January 2008 RAKIA also entered into a joint venture with the Trimex Group of India to establish RAK Minerals and Metals Investments (RMMI). The company has already signed a memorandum of understanding with the government of South Sumatra in Indonesia, which should secure coal supplies to RAK once the exploratory stage is complete.

PRIMARY DRIVERS: The government is working hard on the energy challenges facing the emirate and ensuring that industrial production continues to thrive. According to Serge Guillaume, the executive director of RAKIA, "At the beginning, we attracted companies mainly in construction – aluminium, concrete blocks, glass – companies that are interested in investing here to supply the Dubai market. Now the main strategy is to diversify and go up the added value chain." While RAKIA stresses that it is open to all investments, this should ensure the arrival of less energy-intensive operations and the growth of small and medium-sized enterprises (SMEs) in the emirate.

"When you go up the added value chain you tend to go down in the size of companies. In Europe, 90% of the industrial base is composed of SMEs. We are now studying the market and are definitely interested in contacting medium-sized companies," Guillaume said. This may also change the dynamics of the labour market in RAK, with RAKIA keen to attract more white-collar workers who provide a higher demand for goods and services.

Indeed, industrial expansion and diversification continues apace, as RAK's core industries continue to drive the sector forward. For a number of decades quarrying in the Hajar Mountains has formed the backbone of the sector in the emirate, around which other industries have flourished.

In October 2007 the government-owned Stevin Rock acquired RAK Rock and became one of the largest quarrying companies in the world. The company had a combined production of 60m tonnes per year in 2008, up from 54m tonnes in 2007. By the end of 2009 Stevin Rock expects to be producing 70m tonnes, which will require a capital investment of Dh150m ($40.8m). Of the company's current production, 53m tonnes is limestone, which mainly goes to the cement industry and marina landscaping projects, and 7m tonnes is gabbro.

Around 80% of Stevin Rock's production goes to the local UAE market, with RAK cement producers providing consistent demand. With the price of rock averaging approximately €3.5 per tonne in November 2008, a 16.7% increase on November 2007, it has been a good year for RAK's quarries.

However, as Naser Bustami, the general manager of Stevin Rock, concedes, "It will be difficult to increase the price given the current market conditions in the world and particularly in Dubai. We believe there will be increased competition so the price will probably remain the same if we're lucky."

RAK's main ceramics firm is one example of its industrial success

CEMENTING A FUTURE: RAK's five main cement producers – the Union Cement Company, Gulf Cement Company, RAK Cement Company, RAK White Cement Company and Pioneer Cement Industries – remain relatively confident about prospects for 2009.

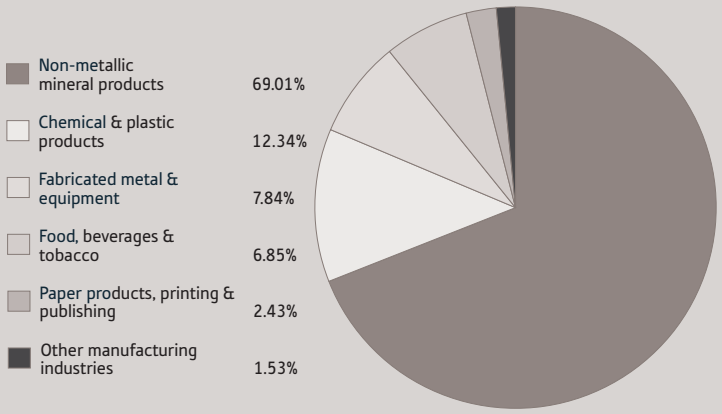
With per capita consumption in the UAE reaching 5 tonnes per head, marking the country as one of the highest consumers of cement in the world, and RAK taking a 45% market share of the UAE's overall cement production capacity, the cement industry in the emirate has plenty of reasons to be optimistic about the prospects for growth going forward.

Given the current economic climate, 2009 could be a difficult year, though the long-term indicators look good. Moreover, with input prices falling on the back of a slump in oil prices and global economic concerns, margins may not fall too sharply after all.

This will particularly be the case for the grinding output of RAK's local cement producers. With clinker prices falling by approximately 35% between July and November 2008 to around $70, the margins on cement for grinding stations are improving.

The emirate accounts for 45% of the UAE's total cement production capacity, and per-capita consumption in the country is about 5 tonnes per person.

Industrial investment by activity, 2007 (Dh m)



SOURCE: Ministry of Finance and Industry

The emirate is a leading player in glass production and has a cluster of downstream industries

"As cement is capped at Dh360 ($98) and clinker costs $70 to import, there is not much margin. But when clinker costs $60, we will see grinding stations very active," Michael Richardson, the general manager of RAK Cement Company, told OBG. "To bring in clinker is easy but to bring in fully grinded cement is difficult as there are not a lot of places at ports to bring in cement. Therefore, the local market is a little bit protected."

Indeed, although increased imports of cement are expected in 2009, which is bound to have an impact on pricing, local producers do not seem to be worried. However, cement companies in RAK are still taking a sober view for 2009 in the expectation that prices may soften to some degree.

CERAMICS: These issues will resonate throughout the region. However, RAK is well placed to ride out the storm, with a number of global players established in the emirate for the long term. For example, RAK Ceramics has become emblematic of the emirate's industrial prowess. Established in 1989, the company recorded net profits of Dh173m ($47m) in the nine months leading up to September 2008, an increase of 33.8% on the same period in 2007.

"With a market share of approximately 70% in the UAE and exports to more than 100 countries, the company has geographically diverse revenue streams, and, consequently, we are confident that demand and sales will remain firm," Abdallah Massaad, the assistant CEO at RAK Ceramics, told OBG. The firm currently boasts a current production level of 115m sq metres per year, making it one of the top producers of ceramics in the world.

GLASS: The emirate has also become a leading player in glass production. In February 2006 US-based Guardian Industries announced a joint venture with the National Company for Glass Industries and the Saudi Al Zamil Group to develop a 700-tonne-per-day manufacturing and production facility in RAK. The $115m venture is now running at full capacity with plans to roll out further production lines in the near future. Such investments have helped develop a cluster of downstream industries. "The glass market will be price orientated for the next year or so," said Alessandrini. "Therefore, we won't be going to the US and Europe, but rather to China. Clear glass is sourced locally so it is a bit cheaper than sourcing internationally, especially in terms of delivery."

In the consumer segment Arc International entered RAK in 2004 when it bought out RAK Glass, which was owned by RAK Ceramics at the time, in partnership with the RAK government. The company is the leading global producer of glassware and tableware with a market share in the Middle East and North Africa region of more than 50% in the dinnerware segment. Arc is, therefore, well placed to tap into the glass tableware market in this area, which is estimated to be worth approximately $1bn. The company has invested $100m to date in increasing production capacity from RAK Glass's 12,000 tonnes per annum in 2004 to an additional 45,000 tonnes of primary production for the company's Luminarc brand and a new decoration unit.

IDEALLY SITUATED: Such investments have burnished RAK's image as an attractive industrial location. While challenges remain, particularly in terms of power and energy supply, the emirate's location and cost advantage remain compelling.

"The proximity to key markets was important in our decision to establish ourselves in RAK," said Francois Bonneville, the CFO of Arc International. "Having stock here and reducing our transportation costs, the pure localisation – this is all important. RAK also has low labour costs. In 2007 the average worker cost here compared to France was 1:6, including accommodation and food."

Thus, unsurprisingly, RAK's location and favourable terms have attracted a number of international companies and joint operations. One such example is RAK Lube Oil, a joint venture between the RAK government and Behran Oil Company, an Iran-based regional lubricant producer. With a view to entering the UAE market, the company has set up a fully computerised blending facility in the emirate.

RAKtherm, a division of the UAE-based Gulf Plastic and Converting Industries (Tahweel), a multifaceted manufacturing company, has also positioned itself in RAK, with the company's head office in the emirate. RAKtherm specialises in plastic piping and began production in 2005, with 20% of its merchandise aimed at the local market and the remainder exported abroad to over 25 countries, such as Russia, China, Pakistan, Syria and the GCC states.

The total production capacity is 150-metre tonnes per month and in 2009 the production will be increased to 600-metre tonnes. Ehab Sharaf, the factory manager at Tahweel, said, "Our activities are related to the construction sector so the international crisis makes us more cautious on the choice of our clients in the UAE to avoid payment problems once the products are supplied."

Favourable business terms and proximity to key markets have been key attractions for a number of international companies that have established operations in the emirate.

Similarly, RAK Petropack, a manufacturer of plastic bags, also utilises the emirate as a base for its international activities. Having started commercial operations in 2007, the company employs fully automated processes in production and exports to the GCC, Iran, EU and South-east Asia.

While expatriation costs mean that labour is more expensive than in China or Egypt, the relative cheapness of labour combined with low energy costs and a liberal business environment place RAK in a strong position. To this end the emirate has been looking at other areas, including media technology and DVD production. However, its core focus is still its basic industries, with metal extrusion and fabrication becoming increasingly important as well.

PHARMACEUTICALS: The health-care sector has recently experienced rapid growth in the Middle East, with attractive markets such as Saudi Arabia recording 8% annual growth compared to 2-3% in the EU and US. As a result, growing demand for pharmaceuticals has presented opportunities for domestic companies in the GCC – a region traditionally reliant on health-care imports.

RAK-based Gulf Pharmaceutical Industries (Julphar) is one such enterprise looking to cater to the market, both in the UAE and the region as a whole. Julphar was established in 1980 by the ruler of RAK, Sheikh Saqr bin Mohammed Al Qasimi, when he envisioned a pharmaceutical company that could make the UAE self-sufficient in all of its therapeutic needs, providing quality medicine at affordable prices.

The company was the first pharmaceutical company in the UAE and is now one of the largest in the Gulf, with profits of more than Dh207m ($56.3m) for 2007, up 199% on the 2006 figure of Dh69m ($18.8m). Julphar has nearly 400 products, mainly generics, and is present in more than 40 countries, although the primary targets remain the GCC and, in particular, Saudi Arabia.

METALS: RAK Steel, a joint venture between RAKIA and the Middle East Traders Group, started commercial production of rolled steel in January 2008 with an investment of $15m. The company is the second largest producer of steel rebar in the UAE, with a capacity of around 500,000 tonnes per year. The company already has plans to upgrade this to 750,000 tonnes by the end of 2009. RAK Steel is well positioned both locally and within the regional market, holding a 6-7% market share in the UAE and with further exports to other GCC member states.

Saudi Arabian-based steel producer Zamil Steel has made total investments of $46.7m in its RAK plant, which opened in April 2007, that are split over two phases. The company manufactures pre-engineered steel buildings and is one of the main suppliers of structural steel products in the Middle East. Having chosen RAK for its strategic location, the company's factory came on-line in early 2007 and has a capacity of some 40,000 metric tonnes per annum. While the factory primarily serves the domestic market, it also dedicates some of its output to supplying the neighbouring Gulf countries' rising demand for steel components.

RAK is in a good position to diversify its industrial base, with free trade zones seeing growth in 2007-08

RAKIA has also been looking to take advantage of the shifting dynamics of the aluminium industry. A number of countries in the GCC are looking to diversify into aluminium using their comparative energy advantage, though the region has very few bauxite reserves and has to import raw material.

Still, with the GCC expected to more than double its global share of primary aluminium production from 4.9% in 2005 to 10% by 2010 and further beyond this, governments in the region are looking to invest in alumina production facilities abroad as a way of securing raw material supplies.

RAK is no different in this regard. The government signed a memorandum of understanding in February 2007 for a joint venture with the government of Andhra Pradesh in southern India for the establishment of a 1m tonne per annum alumina plant and a 250,000 tonne aluminium smelter. With both Abu Dhabi and Dubai constructing aluminium smelters that will bring 2.7m tonnes per annum capacity to the UAE by 2011, RAK will be well placed to sell its alumina production locally.

OUTLOOK: The emirate is in a good position to grow and diversify its industrial base. While core industries continue to flourish, it is well placed to develop industrial clusters. Once the energy gaps are plugged in the short term, the cost and efficiency advantages should result in a further surge in the number and range of industries in RAK.

In fact, this expansion has already begun, with both RAKIA and RAK FTZA boasting impressive records for 2007-08. However, the emirate, not unlike many countries in the region and globally, may have to batten down the hatches in 2009 as the consequences of lower oil prices and an international economic crisis hit home. While some damage is inevitable, local industrialists hope that 2009 will not detract from RAK's otherwise impressive record.

The Gulf Cooperation Council is expected to increase its global share of primary aluminium production from 4.9% in 2005 to 10% by 2010. By 2011, RAK should be well placed to sell its alumina production locally.

RAK's two biggest cement firms together produce 8m tonnes annually

Special cement a speciality

Niche products could prove important in the near future

The emirate is better placed than most to ride out the economic slowdown. Its cement offerings are diversified and of high quality.

The Hajar Mountains have come to form the backbone of RAK's industrial output. The quarrying of limestone, and to a lesser extent gabbro, has played a crucial role in sustaining the surge in infrastructure and construction activity across the Gulf Cooperation Council (GCC). This is particularly the case when it comes to cement. RAK accounts for 45% of the UAE's cement capacity and, consequently, leads the way in meeting the demands of the federation's construction sector.

RAK's two biggest producers, Union Cement Company and Gulf Cement Company, have a combined annual production capacity of around 8m tonnes per annum, making them heavyweights in the region.

ENSURED GROWTH: The construction surge in the UAE and the wider GCC has signalled good times for RAK producers. Although the federal government introduced a Dh290 ($79) per tonne price cap on cement in May 2008, which was raised to Dh360 ($98) per tonne in October, strong demand has ensured that producers return positive balance sheets. With the UAE currently boasting an inventory of planned projects totalling some $1.3trn, local cement producers are hoping to maintain growth going forward. While the emirate's producers remain confident that the sector will prove resilient in the face of the global economic slowdown and softening real estate prices in the domestic market, it is clear that cement demand and pricing may suffer to some extent in the short term.

NICHE PRODUCTS: That said, the industry in RAK is better placed than most to ride out the storm and do well. The emirate's production offering is not homogenous, with a number of niche products diversifying capacity. In 2008 the RAK Cement Company (RAKCC) established a blending facility at an estimated cost of Dh15m ($4.08m) to produce a high-strength concrete called "powercrete". RAKCC is the first in the region to offer this mix of ordinary Portland cement and fly ash from India. RAKCC was producing 1000 tonnes per day of powercrete in the fourth quarter of 2008 and was looking to expand this to 1500 tonnes per day in 2009.

With a predicted return on investment of less than two years, the capital risks for further powercrete production development are small. The product margins are higher and with no government cap in place on the product, it was selling at Dh395 ($107.5) in the UAE in November 2008. In the current economic climate, other producers may look to such products rather than channel capital into traditional clinker and grinding capacity expansion. "The future is in high-margin niche products that people don't know about," said Michael Richardson, the general manager of RAKCC. "The days of supplying everyday Portland cement are not over, of course – it will still be a bulk of the market, but people are prepared to pay extra for quality products."

The pioneer in high-margin lower-volume products in the emirate has been RAK White Cement Company. Established in 1986, the firm is now the dominant supplier of white cement to the region. White Cement currently produces 520,000 tonnes of clinker white cement and expects to increase this to 570,000 tonnes by the end of 2009, and 700,000 tonnes by 2012 at a cost of Dh100m ($27.23m). With a 98% market share in the UAE and a share in the 90s in most GCC countries, the company is well situated. As an uncapped product with an ex works price of Dh540 ($147) per tonne in November 2008, white cement profits should remain strong.

While blessed with abundant resources of raw material for producing cement, the biggest problem facing RAK's producers is energy, or rather the lack of it. Local shortages of natural gas have forced some producers to switch to imported coal to power their plants, a sometimes costly exercise due to price fluctuations.

In a step that should ease the situation, the emirate's government is working to boost energy and diversify supplies, with four new power stations due to come on-line within three years. In addition, though the construction industry in the UAE may slow somewhat, the number of projects already under way or scheduled to come on-line should maintain a high level of demand, enough to see the industry through any downturn.

Yousef Obaid bin Essa Al Neaimi

Spread the word

OBG talks to Yousef Obaid bin Essa Al Neaimi, Chairman, RAK Chamber of Commerce & Industry

Which do you identify as the fastest-growing industries in RAK, and which of these present the most potential for the future?

AL NEAIMI: RAK does not have any oil or gas like its neighbouring emirates but we do have other natural resources, such as limestone, that allow us to develop strong industries such as ceramics and cement. Close to the growing markets of the Gulf Cooperation Council (GCC) region and Asia, I believe that the microelectronics industry has great potential in RAK. Such products can be manufactured here with cheaper production and transport costs than in Japan or Hong Kong, for example.

In addition, education and the medical industry are growing sectors that present very good investment opportunities for those willing to invest in major infrastructure with a long-term commitment. Many people think the recession will prevent them from investing, but I believe that now is the right time to do this as costs are low. By the time projects are ready, the economy should be back on track.

What is the chamber's strategy for development of the industrial sector in regard to attracting investments and developing the private sector?

AL NEAIMI: Since Sheikh Saud bin Saqr Al Qasimi became crown prince and deputy ruler in 2005, we have had to cope with a growing economy and an increasing number of companies. All the government departments are working as a team to achieve and support the vision of His Highness.

The international investors might have the ideas, the capital or the brand that we need to develop our economy, so we want to attract more partnerships and collaboration with international players to sustain the growth and achievements of past years. The industrial players in RAK do a great job of marketing the emirate outside, and more foreign investors will mean more international promotion for RAK. We are releasing a new promotional video to be circulated internationally to investors and sent to international chambers of commerce. We are also looking to attract more exhibitors thanks to the new exhibition centre, which is expected to be completed by June 2009. The Chamber will also participate in several international exhibitions in 2009 in the Far East, Middle East and Europe. As we want to market RAK, we want the companies to participate in the events and promote their activities while we are supporting their expenses. We expect to move into the RAK Chamber of Commerce and Industry's new building by June 2009. To facilitate access to our services, we have also opened branches at RAK Investment Authority and RAK Free Trade Zone.

What more needs to be done to support the competitiveness and expansion of small and medium-sized enterprises (SMEs) based in RAK?

AL NEAIMI: We have developed the Saud bin Saqr Programme for Young Business Leaders to promote and facilitate entrepreneurship and encourage UAE entrepreneurs to set up new businesses and projects, mainly SMEs, in the emirate.

The programme is aimed at encouraging the entrepreneurial spirit of young people by creating profitable and sustainable business ventures, which would enhance their role in the national economy. The new business enterprises set up under the programme would be exempted from payment of registration and related fees for three years at the RAK Municipality, RAK Economic Development Department and RAK Chamber of Commerce and Industry. They would also get financial incentives from the Ministry of Labour, which will provide workers' visas free of charge. We have already signed agreements with financial institutions to support and facilitate financing of SMEs to be set up under the programme. We are also offering services such as office spaces and facilities at a very low cost, training in project management and support during the start-up stage.

Russ Ebeid

A world of opportunity

OBG talks to Russ Ebeid, President, Glass Group, Guardian Industries Corporation

What were your primary considerations in establishing your business in RAK?

EBEID: We saw a good business opportunity, combined with a strong local vision and spirit of cooperation from government. RAK is at the centre of an expanding region that has excellent logistics to serve the wider world. While we are honoured to play a constructive role in the development of this important region and are new in RAK, we are certainly not new to the Middle East. Nearly 30 years ago we began shipping products to the Arab world from our other facilities. We began manufacturing here 12 years ago as the first company engaged in glassmaking in the Gulf. Not only have we greatly decreased the need for glass imports to the region, but we have also contributed to the diversification of the UAE's petroleum-based economy by providing valued-added, consumer-friendly products. We have consistently made additional investments by moving our production platforms closer to the UAE. When it comes to business, Guardian has an old adage about becoming part of a local community. We say that when you sell into a region, you are a guest. When you have local partners, customers and employees, you become a friend. Finally, if you manufacture and add value locally, you become family.

What constraints are there on producing high-tech manufacturing products in RAK?

EBEID: We have experienced many challenges due to the rapid growth of the region. Until the recent downturn competition for human capital created a condition where companies were outbidding each other for the same recruits. We chose to develop, challenge and retain our best and brightest during this period of adjustment. Energy scarcity is a constraint in the UAE. Guardian RAK has taken progressive steps to ensure the continuity of supplies. We have confidence in the vision and cooperation of local government. The emirate's government provides the conditions that RAK-based businesses need to effectively compete in markets around the world. Crown Prince Sheikh Saud bin Saqr Al Qasimi's reign has created visionary projects that enhance the emirate. Look around you in the surrounding area and you can see new commercial centres, manufacturing plants, hotels and entertainment centres.

In your view what does RAK need to do in order to remain industrially competitive?

EBEID: Continued action on the implementation of the Crown Prince's vision will ensure that stable energy, infrastructure and support services are in place to compete on the global stage. Industrial infrastructure is being built and commissioned on a continual basis. Our industry is particularly dependent on stable utilities and a supply of natural gas. Nearly 50,000 tonnes of raw materials and finished goods flow through our factory every month and we serve customers in almost 50 countries. Unsurprisingly logistics are an important element of our industry success on the global playing field.

Given the current economic crisis, what opportunities does the UAE offer to US businesses? Do you see more coming to the region?

EBEID: Successful companies look for new opportunities in challenging times so I am sure the UAE will remain an attractive location for investment. The current economic downturn is a reminder that the world is a truly global, interconnected marketplace. The strongest competitors on the global stage are also able to bring their products closer to their customers. The Gulf region is an economic powerhouse, the resources of which look set to be in high demand for the foreseeable future. The Gulf leaders are committed to a vision of growth that benefits the local economy and people. This vision of growth will create opportunities for businesses that focus on infrastructure with a high technology twist.

Health & Education

Programme to upgrade health facilities under way
Great demand for private health operators
Many international universities set up campuses
Plans to construct an education free zone

About 30% of RAK's population has access to private health care

Expanded care

New and improved hospitals aim at specialised treatment

The emirate's health sector will be boosted by three new hospitals currently under construction. The total cost of the hospitals is around $190m and they are expected to be completed by 2010.

There has been a flurry of activity within Ras Al Khaimah to bolster the emirate's health sector, as a growing population and increasing awareness of the importance of basic medical care, such as regular check-ups, have created a demand for expanded services. The emirate is currently facing a shortage of beds, medical professionals and modern facilities in its hospitals and health centres.

There are a little over 400 total beds in RAK, which, with a population of 220,000, means a ratio of one bed per 555 people. The universal recommended ratio is 1:250 according to RAK Hospital. Efforts are therefore under way to build more hospitals and health centres, as well as to upgrade existing facilities and introduce modern equipment.

HOSPITALS: Three large hospitals are currently being built at a cost of Dh700m ($190.6m) and are slated for completion by 2010. The largest, Sheikh Khalifa Hospital, will cost approximately Dh350m ($95.3m) and is expected to be ready to receive patients in 2010. The second, a specialty hospital, will cost up to Dh250m ($68m) and the third is a 60-bed hospital, built at an estimated cost of Dh100m ($27.23m). The Ministry of Health is also planning to set up a number of small mobile medical units to reach patients in the villages of RAK.

The emirate has three hospitals and 18 registered health centres specialising in different areas, such as maternity, primary health care, dentistry and gynaecology. Private health care in particular is expected to see much demand, and the establishment in late 2007 of the Dh100m ($27.23m) RAK Hospital, a multi-specialty health care facility that is managed by Sonnenhof Swiss Health, which is in turn a leading health care group in Switzerland, has given the sector a major shot in the arm.

According to a presentation by RAK Hospital, it is estimated that 30% of the emirate's population has access to private health care, given that 20% of the population has insurance and another 5% can afford private care even without coverage and the remaining 5% has access via other means. In total this amounts to 60,000 people.

MANDATORY INSURANCE: The expected introduction of mandatory insurance will have a major impact on the sector. Dr Jean-Marc Gauer, the CEO, senior consultant surgeon and head of the surgery department at RAK Hospital, told OBG that from the moment it is introduced, "We will have to start expanding the hospital, as that will be the take-off point."

Gauer noted that the hospital currently has connections with all the medical insurance companies and estimates that some 75% of patients are covered by insurance. The law was expected to be passed in the middle of 2008 but will likely be signed sometime in 2009. Careful planning will be necessary to ensure capacity is in place to meet the sharp rise of previously uninsured people.

Another major shake-up is expected to occur when the Ministry of Health delegates responsibility for the day-to-day administration of public hospitals to a new body that will cover the northern emirates – the Emirates Health Authority.

A new regulatory body, which will supervise auditing among other things, will oversee all the emirates – with the exception of Abu Dhabi and Dubai – and have three offices covering support services, licensing and public health policy.

A NEW AUTHORITY: The health system is centralised at the federal level, which has met some criticism that the system is priced too high and is inflexible. The new authority, which would cover all the emirates except Abu Dhabi and Dubai, whose own health services are currently administered by independent bodies, would be more of a regulatory body concerned with areas such as licensing, supervising, auditing and legislating, and would not get involved in the administrative execution of business plans.

Under the new system, which was expected to come on-line in 2009 but has been postponed, supervision of health care will be divided into three new offices: support services, which will include human resources and legal affairs; licensing, including the registration and accreditation of new drugs; and public health policy, which will deal with the

state response to disease control, health insurance and regulation. The chief executives of each office will fall under the authority of the director-general of the Ministry of Health.

IMPROVED SUPERVISION: For health providers in RAK, the new system is expected to make life easier. Dr Farry Bruce Jeffrey, the executive director at Saqr Hospital, one of the three public hospitals in the emirate, told OBG, "Currently we receive money from different channels within the ministry, as well as from donations and other public monies, but we do not have any inventory of where the money is coming from. This does not encourage one to save. The new system would supervise what happens with budgetary funding and supervise spending."

Primary health care, which started in 1984, has expanded to include 18 health centres covering the emirate. The centres are distributed to ensure that most people in RAK can reach one within 15 minutes. Statistics for 2008 showed a 12% increase in the number of clients visiting general practitioners at the centres, with an average of three visits per person, Dr Mohammed Amin Al Otaibi, the director of primary health care, told OBG.

The centres provide all basic services such as child care, school services, home care for the elderly, dentistry, x-rays and laboratories. Mental health care services, which have been scarce in RAK, are also being integrated into primary care. In addition, the centres offer maternal health care services, including antenatal care and neonatal screening programmes. The health centres are to receive new buildings and facilities to serve the clientele, of which 80-85% of all patients are composed of nationals. But when insurance companies start to arrive in the wake of the expected law and the new authority is set up, there will be ever more competition with private health care providers, Al Otaibi said.

PRIVATE CARE: There is a huge need for private health care in RAK, Gauer, the CEO of RAK Hospital, said. He noted that this is especially true in light of the emirate's development plan that calls for investors to come to the emirate. In order for this to happen there must be a certain level of care available. There are now more expatriates working in RAK who are willing to spend the money for quality services. Gauer said his hospital wants to expand upon the existing health care available.

There are 18 registered health centres and three hospitals in RAK

"I can say that there is a big market for expatriates, especially from Europe, and we have managed to capture it through our level of trust with Swiss health care." The hospital is a joint initiative between the RAK government and Dubai's ETA Star, a UAE contracting firm. He noted that the bulk of the hospital's clientele are expatriates, as the mindset of locals typically has been that if one is seriously sick and has the funds, one goes to Abu Dhabi or Dubai. "Our challenge is to make it clear that we can deliver the same level of health care," Gauer said.

A large step in this direction was the recent accreditation from the Joint Commission International (JCI),

Private health care is already in great demand, and it is expected to expand rapidly, especially after the introduction of mandatory health insurance.

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The emirate has budgeted some $2bn for upgrading health facilities over the next five years

Creating awareness of prevalent diseases such as diabetes and hypertension has been a recent priority for the Ministry of Health. There are also more than 35 initiatives that will be implemented for the benefit of the sector.

a US firm that reviews health care facilities around the world. The commission is extremely patient-safety focused, meaning there is no scope for error.

There are some 13 institutions in the UAE that have been accredited to date.

There is currently a regular daily influx of 200 to 250 patients in the outpatient department. The hospital has 35 full-time physicians in addition to 10 visiting consultants, as well as 50 beds, 25 of which are occupied on a regular basis. Pending future developments, such as the introduction of mandatory health insurance, there are plans for a new facility that would house 50 to 100 beds.

PUBLIC STANDARDS: While RAK Hospital is making steady progress in terms of shoring up private care, the public health care system is in need of improvement. Towards this end, Jeffrey had been hired by the Ministry of Health to get the Saqr Hospital up to JCI standards. Established in 1981, Saqr Hospital is the only government surgical hospital in RAK, and the hospital has a bed capacity of 278.

There are now graduate-level courses that focus on management and leadership as well as contemporary theories in the field, Jeffrey told OBG. There are three main processes involved: training, documentation and implementation. This means that every process in the hospital first has to be documented, with policy and procedures in place, and following this, the process must be implemented in accordance with those policies outlined.

There also has to be a plan of care in place, Jeffrey said, in which the patient knows from the start how many days he or she will need to stay and how much will be charged for any extra services.

"Patient rights are important and hospital administrations must be aware of the cases when a patient has been overcharged," Jeffrey said. "A change in culture is needed in the emirate and that is not always easy to implement." He added that Saqr Hospital is still two years away from receiving JCI accreditation.

In the meantime, he said there are in general 11 focus areas for the hospital to work on, such as teamwork, clinical services, prevention and control of infection and patient safety.

When Saqr Hospital does receive JCI accreditation, Jeffrey believes that a huge potential could be in the area of medical tourism. He pointed out that India receives some $2.2bn a year for medical tourism and about 500,000 Americans have visited the country for treatment. "Insurance companies encourage people to pursue this route and if we get the JCI accreditation, we will have the same quality of services as in the US. So it would make sense to make RAK a medical tourist spot." For the present, health professionals will be kept busy dealing with the ailments of the emirate's residents.

HEALTH WORRIES: The World Health Organisation estimated that around 35-40% of the population is at risk of developing diabetes, owing to a lack of exercise and bad diets. Cardiovascular diseases such as hypertension are also prevalent. Some establishments, including RAK Hospital, have been creating awareness programmes through health clinics, as many people are unaware of the risks they face.

RAK residents have also become more aware of infectious diseases thanks to recent Ministry of Health awareness campaigns, said Dr Farook Awwad, the CEO and managing director of the Advanced Medical Lab, which offers a multidisciplinary medical testing facility that covers all medical specialties required by physicians and hospitals.

"People had previously been afraid of the consequences of being tested positive for infectious diseases such as hepatitis. Now young people want to come and be tested," Awwad said.

The privately run lab has seen business increase five- to six-fold since it opened 10 years ago, which Awwad attributes to a growing economy that has allowed residents more income to afford its services. Furthermore, insurance companies have become more commonplace, and they prefer dealing with the private rather than the public sector.

OUTLOOK: The government of RAK and the Ministry of Health, have a plethora of plans to improve health care provisions. Indeed, the ministry has more than 35 initiatives that it wants to implement over the next three years, including the establishment of an electronic network that will link hospitals and health centres, as well as the development of a national health database to hold patients' records.

RAK has said it plans to invest approximately $2bn over the next five years in order to upgrade its health care facilities. However, one of the biggest challenges facing the emirate, as well as the UAE, in terms of health care will be addressing the public awareness of non-communicable diseases such as cardiovascular disease and diabetes. In addition, the eventual establishment of the new Emirates Health Authority is expected to help tremendously in terms of solving the matter of staff shortages and implementing a unified policy by the federal government.

Humaid Mohammed Obaid Al Qutami

Just what the doctor ordered

OBG talks to Humaid Mohammed Obaid Al Qutami, Minister of Health

What are the main outlines of the new strategic plan? How is health policy being developed to ensure universal access across the UAE?

AL QUTAMI: All cities are covered by medical services, with 13 hospitals belonging to the Ministry of Health (MoH) across the UAE. We have a bed-per-person rate of 1:1000, which is equal to any international standard. On a short-term basis, we are in the process of upgrading the main specialties directly attached to public health services, such as the accident emergency, obstetrics and gynecology, general surgery, pediatrics and internal medicine. For the other subspecialties, our goal is to upgrade the level within three years and we already have a general commitment with other overseas hospitals. Within one year, our aim is also to upgrade our hospitals to teaching hospitals, which will lead to improved services. This will create an opportunity for our doctors to complete their own postgraduate studies in our hospitals in cooperation with other UAE hospitals, all of which will be recognised by an official accreditation body. For the next three years, we plan to provide complete services at the tertiary subspeciality hospitals and assure coordination between all the emirates. Eventually all hospitals will be upgraded. One of our main targets is to improve primary health care by bringing all primary health care (PHC) centres under one network. PHC users will then be able to bypass the border areas and go to the nearest hospitals. Moreover, we are working on increasing the mother-and-child health services within all emirates.

Is there a problem with a lack of facilities and qualified medical staff across the UAE?

AL QUTAMI: If there is a need for more facilities and health-care services, we cannot talk about a crisis regarding the availability of medical staff. The situation is under control. The federal and local governments have launched a development process for health and medical services in the UAE. Alongside the health authorities of Abu Dhabi and Dubai, the MoH is working on identifying health-care needs to provide the best services to the UAE population. Our policy is to open more fully equipped health centres based on international standards, especially in the northern Emirates.

What is currently being done to upgrade hospitals and health care centres in RAK?

AL QUTAMI: The strategy of the MoH is to extend the health and medical services to the remote areas of RAK. We are developing several projects in this emirate, such as Obeidallah Hospital, which is financed by the private sector. Its capacity will be 249 beds with a cost of Dh550m ($149.76m), and the maternity and children hospital will have 150 beds and cost Dh20m ($5.45m). We are also building a special hospital for the elderly, with a capacity of 126 beds and a cost of Dh30m ($8.17m), plus a primary health care centre, the Abdallah Omran Hospital, with a capacity of 75 beds and a cost of Dh66m ($17.97). Moreover, Dh10m (2.72m) were allocated to RAK to develop and improve the emirate's infrastructure and meet all needs in equipment and materials, including the purchase of a very advanced system for bone density measurement. As per Saqr hospital, the ministry is working on expanding the emergency and accidents department and modernising the child care unit. The ministry opened two health-care centres in Jelfar and Kadra, and it started providing homecare services for the first time in RAK.

What role can the private sector play in developing and furthering the quality of health care in RAK?

AL QUTAMI: The private sector plays an important role in funding and supporting projects to develop the health-care sector in RAK. Indeed, we have many contributions from UAE nationals in RAK who want to support the sector. The MOH is applying the vision of the UAE government with an emphasis on developing partnerships with the private sector. We want both the public and private sector to work together in providing the best health-care services to the emirate.

The University of Ras Al Khaimah

United Arab Emirates

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Successful Careers Begin with Us

Competition is heating up between institutions of higher education

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Fast-paced development and more choice for the emirate's students

The government has attached prime importance to education in a bid to diversify its economy and improve the quality of life of citizens. As a result of this focus, the government has succeeded in attracting a clutch of renowned international universities.

As the emirate has seen strong economic development in recent years, it has also had to invest in secondary education to meet the demands of an increasing national population and growing expatriate community. Enrolment in private secondary schools amounted to 13,939 pupils – both male and female – in 2007/08, representing a 20.6% increase on the previous academic year, according to the RAK Educational District. Enrolment in government schools totalled 30,965 pupils in 2007/08.

The RAK American School, which was inaugurated in November 2008, will be a fillip for the growing pool of expatriate workers in the emirate. Khoie Education, a member of the Khoie Group of Companies, invested Dh20m ($5.4m) in establishing the K-12 school, which can accommodate up to 300 students.

MORE CHOICE: In terms of higher education it has been only recently that students in RAK have had much choice. Indeed, just five years ago Ittihad University, which was set up in 1999, and the Higher Colleges of Technology (HCT) were the only real options in town. But with the introduction of top schools, such as RAK Medical and Health Sciences University as well as a number of other institutions, the competition has sharpened considerably. The opening of free zones has also greatly quickened the expansion pace as branches can be set up without a licence from the UAE's Ministry of Higher Education and Scientific Research.

India's Bharati Vidyapeeth University (BVU), for example, recently joined the growing list of educational institutions that have established campuses at the RAK Free Trade Zone Authority (RAK FTZA). The university is angling for an intake of 60 students for its bachelor of business administration course and an additional 60 for its masters of business administration degree.

EXPERIENCE: Other institutions that have opted for the free zone include the University of Bolton and the Vatel International Business School for Hotel and Tourism Management. Zubair Hanslot, the executive academic director at the University of Bolton RAK campus, told OBG that there is considerable engagement with the main campus in the UK. "We strive to provide a similar student experience. Indeed, since there is synchronicity of curriculum and assessments with the main campus, student exchanges between the two campuses are now possible," Hanslot said. The University of Bolton's RAK campus started with a total of 14 programmes across four academic departments, which include engineering, business, logistics and computing.

"We have already reached operational capacity at our current location," Hanslot added. As a result, the university had to limit the February 2009 intake to 70 students, bringing total enrolment for the 2008/09 academic year to 230 students. "We have now secured a location for a new campus having 10 times the space we currently occupy, and this will provide capacity for at least 1000 students," Hanslot said. The University of Bolton plans to commence operations at the new campus in RAK from September 2009.

The University of Pune (UoP), one of India's top-ranked state universities, has also announced plans to set up a campus in RAK. UoP currently has approximately 650,000 students studying on its parent campus and affiliated colleges, and it has the highest number of international students among higher education institutions in India. The RAK campus will start by first offering MBA and executive MBA courses, and it will have two batches of 30 students for each course. Following this, UoP will introduce two-year, full-time MBA++ programmes in September 2009, along with a range of other bachelor's and masters programmes in sciences, management, engineering, pharmacy and other subjects.

Ecole Polytechnique Fédérale de Lausanne (EPFL), the Lausanne-based Swiss federal polytechnic institute and a leading institution for science and technology in

Due to the growing Emirati and expatriate populations, the emirate has been addressing the increase in demand for educational institutions. A number of international academies have established campuses in RAK in the past few years.

Enrolment in private secondary schools in the emirate totalled 13,939 pupils in 2007/08, a 20.6% increase on the previous academic year.

The federal government funds 80% of public education

The government is planning to create a 5m-sq-metre education park that will accommodate the international institutions currently based in the free trade zone, as well as future academies.

Europe, is opening its first campus outside Switzerland, in RAK. EPFL and the RAK Investment Authority will create a jointly owned (50:50) financial structure for the campus. No cost estimates for the project have been released so far but the Lausanne-based university is likely to spend at least $86m, a figure that could rise substantially depending on the research facilities required. The campus will start with a post-graduate programme in September 2009 that will focus on environmental and energy supply research. A masters degree programme should follow by 2010.

FREE ZONE FOR EDUCATION: The emirate eventually plans to concentrate its universities in an education free zone. The government is planning to invest $1bn in order to create an education park that will house both the international academies and colleges now in the free trade zone, as well as future campuses. The park will boast some 5m sq metres for development. Construction is already under way, and the entire project is expected to be completed in five to 10 years. The first institutions could move in by 2010. The emirate's free trade zone currently has a student population of about 2500. Equipping students with the skills required by the aviation, tourism and hospitality industries, all of which the emirate is aiming to develop, will be a primary goal of the new education zone, according to Oussama El Omari, the CEO and the director-general of RAK FTZA.

MEETING MARKET DEMAND: The government-operated HCT, which includes 16 colleges across the UAE, opened its campus 16 years ago in RAK with both a men's and women's college, and has continuously adapted its programmes to meet the needs of the local economy. For example, it introduced a tourism and hospitality programme in light of the growing number of jobs in this field. The engineering programme is also growing significantly at the men's college, as there are a slate of engineering and engineering-related industries springing up in RAK. Before the recent influx of new jobs, graduates of the engineering school would usually go to Abu Dhabi to work for gas and oil companies.

There are also an increasing number of graduates moving into the private sector, whereas before the public sector offered better benefits, as well as more jobs. "The cement factories, for example, have doubled capacity in the past two or three years, creating new jobs," said Ian W Hall, the former director of the HCT. "Our graduates are the technicians, not the management, and are the ones who make the plants run. Many of the employers want to hire local people, and our students possess the skills that are needed and, thus, are very much in demand."

More and more UAE nationals are being hired at the HCT as teachers. In the women's college about 25% of the staff are UAE nationals – the highest percentage of any HCT programme. In the long term it is expected that UAE nationals could fill most of the faculty slots.

ADEQUATE FUNDING: The UAE federal government has grasped the importance of bolstering the country's educational sector. Some 80% of funding for public education comes from the federal government, and in recent years there has been pressure on local gov-

ITTIHAD UNIVERSITY

✓ The five academic programs at the University were granted the status of "accreditation eligible" by the Ministry of Higher Education. The University graduates are, therefore, recognized and their graduation certificates are accordingly certified by the Ministry. Currently, the University offers bachelor degrees in Science, Arts, or Education in the following subjects:
B.Sc. in Computer Engineering
B.Sc. in Computer Science
B.Sc. in Business Information Systems
BA in English Language and Translation
BA in English Language Teaching

✓ The University hires excellent academic faculty and offers the right educational environment that helps to develop the student's personality and knowledge.

✓ The University provides a range of student-related services to support the learning process through the Library and Information Sources, Computer Centre, Language Resource Centre, Open Learning Centre, Counseling and Career Development Administration, and Science and Engineering laboratories.

✓ The University helps students from abroad to get entry visa to the UAE and to get residency.

✓ The University offers career and alumni advising services to maintain a relationship with its former students and assist them in finding suitable employment.

✓ The University maintains co-operation ties with many Arab, European, American and Asian universities.

ITTIHAD UNIVERSITY
P.O. Box 2286, Ras Al Khaimah – UAE Tel: (00971) 7-2362323 Fax: (00971)7- 2362121 Email: ittihadu@eim.ae Website: www.ittihad.ac.ae

ernments to increase their education budgets. Indeed, in 2008 for the first time the federal government allotted sufficient funds – Dh694m ($189m) – for HCT to admit all eligible students. In the past the university had had to turn away some eligible students due to a lack of funds. "We were at the point of enrolling only 14,000 students when the federal government announced it would give sufficient funds to allow 16,000 students," said Hall. "Now student levels are higher than ever before and we have had to hire more faculty." Hall said HCT has strong enough name recognition and qualifications to survive the introduction of private universities to RAK. Furthermore, because it is a state school, there are no tuition fees. Still, the competition will certainly make the HCT sharpen its game as well as focus on marketing at the local high schools.

UPPING THE STANDARDS: When Sheikh Saud bin Saqr Al Qasimi, the crown prince and deputy ruler of RAK, took over executive functions in 2003, part of his vision for developing the emirate was to boost the quality of higher education. The backbone of the plan was to bring in top international schools.

Through a joint-stock company – RAK Education (EDRAK), which was formed to establish a full branch campus of an American university in the emirate – the government entered into a partnership with Tufts University's Friedman School of Nutrition Science and Policy, which in effect has given local students access to a US university. Meanwhile, George Mason University (GMU) announced plans to withdraw from its partnership with EDRAK. This was primarily as a result of difficulties associated with maintaining GMU-RAK's full branch campus status. However, the relationship between GMU and the government will continue in the new University of Ras Al Khaimah, with classes commencing in the autumn 2009 semester.

This university, to be created by royal decree, is a partnership between the government and the RAK Investment and Development Office. It will continue to offer GMU-accredited programmes and currently enrolled students will seamlessly transition into the new university. The government intends to have the University of Ras Al Khaimah licensed in the UAE by the Commission for Academic Accreditation as soon as possible. In addition, Sheikh Saud bin Saqr al Qasimi, the crown prince and deputy ruler of RAK, has announced a scholarship fund to help defray tuition costs for students transitioning from GMU-RAK to the University of Ras Al Khaimah.

LARGER CAMPUSES: The RAK Medical and Health Sciences University moved to a new campus in February 2009 near RAK Hospital and Sheikh Saqr Hospital. Gurumadhva Rao, the vice-chancellor of the university, said the new 56,000-sq-metre campus will house the colleges of nursing, medical sciences, pharmaceutical sciences and various administrative offices. The complete move into the new campus is set to take place in 2009.

At present the school has some 230 students representing 30 nationalities, 50% of which are from the UAE and the remainder from countries such as the Gulf Cooperation Council member states, US, UK and Canada, as well as Asian and African countries. The university's teaching staff is itself quite international as well, hailing from 25 different countries.

There are 230 students from 30 countries studying at the RAK Medical and Health Sciences University

The federal government allocated $189m for the country's educational sector in 2008, enabling Higher Colleges of Technology to admit all eligible students for the first time.

The medical college started its operations in October 2006 with its first batch of bachelor of medicine and bachelor of surgery students. The university began bachelor of dental surgery, nursing and pharmacy programmes after obtaining initial accreditation from the UAE's Ministry of Higher Education and Scientific Research in 2007. In 2008 it also added a registered nurse/bachelor of science in nursing bridging programme to its offerings.

Elsewhere, Ittihad University – the first university in RAK, opened in July 1999 – is also ready to move to a new home. Adnan Albazi, the chancellor of Ittihad University, told OBG that all of the university's programmes are fully accredited until 2012, but the university's progress is being hampered by the inadequacies of the current building. The new campus is already completed, but the move itself has been postponed owing to a shortage of electricity. That said, the transition should occur by mid-2009. Ittihad University has four colleges: engineering and computer sciences; management and information systems; education; and the arts. There are 550 students enrolled, but with the new campus school officials hope that this figure will double. A larger student body would certainly help the institution, as it relies on tuition fees as its primary source of income.

OUTLOOK: There are concerns growth in tertiary education throughout the UAE has been too rapid and some schools will not succeed, owing to a lack of demand. However, Sheikh Nahayan Mabarak Al Nahayan, the minister of higher education and scientific research, has dismissed this: "If growth is too rapid in the sector, it will be kept in check by the closure of unsuccessful institutions," he told the local press.

He said market forces should dictate how many universities the emirates need. Indeed, there is increasing competition in education across the emirates, and this is good news for students and employers alike.

Sheikh Nahayan Mabarak Al Nahayan

Higher ground

OBG talks to Sheikh Nahayan Mabarak Al Nahayan, Minister of Higher Education and Scientific Research

How is education policy being developed to ensure an equitable spread of assets across all the emirates?

SHEIKH NAHAYAN: The education of every national student is a fundamental goal of the UAE. Our admissions policies in higher education ensure admission of all qualified secondary school graduates to an appropriate higher education programme. The UAE University is a residential institution that offers admission to students from all regions of the country. The Higher Colleges of Technology has 16 regional campuses that cover all population centres in all emirates. Zayed University has two branches, one for students in Abu Dhabi and the other for students from Dubai and the Northern Emirates. There are also an increasing number of private higher education institutions providing educational access all over the country. The overwhelming majority of national students, however, are enrolled in public colleges and universities.

How can the government ensure the quality of private education institutions?

SHEIKH NAHAYAN: Our view is that our country can certainly benefit from high quality private institutions. The issue with these private institutions, however, is to make sure of their quality. We monitor closely the quality of all private colleges and universities. We have established a commission at the Ministry of Higher Education to accredit these institutions and to ensure that all of them are ones that students, families and employers can trust to be of high quality.

How would you describe the level of integration between the education sector and businesses?

SHEIKH NAHAYAN: There are many cooperative initiatives between the business sector and education in the UAE. The business community offers student internships, establishes awards and prizes for high achievement, and supports student trips abroad. Some businesses have also funded endowed professorships at the Higher Colleges of Technology. All our colleges and programmes have advisory committees with members from the business community. These committees offer invaluable advice and counsel regarding the curriculum and workforce preparation. Of course, the most important area of cooperation is the assistance students receive in their job search after graduation. We consider the full development of this relationship between education and business to be critical to our success.

To what extent is the RAK higher education sector delivering skills that are relevant to the job market?

SHEIKH NAHAYAN: The students in RAK, and the UAE in general, are certainly very well prepared for the demands of modern citizenship. We are confident that our colleges and universities offer our students a modern education and prepare them to live and work in the global age. The ultimate proof of this, of course, is the employability of the graduates. The employment figures of the UAE national graduates both in RAK and in the UAE demonstrates that there are great success stories where national graduates are assuming important positions in the country and are proving to be excellent examples of dedication and competence.

What role can the private sector play in developing and furthering the quality of education in RAK?

SHEIKH NAHAYAN: We welcome close collaboration with the private sector that can help us develop and implement research and educational programmes. The business community can help enrich curricula, motivate students and provide them with opportunities to participate in the world of work. Business leaders can serve as successful role models for students. Colleges and universities require community support beyond what is available from government sources if they are to achieve and maintain what is frequently referred to as the "margin of excellence." Funds from corporate and individual philanthropy are required to support such things as endowments for outstanding scholars, research, academic programmes and activities.

The Business Guide

Accommodating tax laws encourage investment
Supportive legal environment for foreign investors
Recent amendments to improve legislation
A new foreign investment law to be introduced soon

There is no personal income tax in the UAE

Tax-free focus

The country's taxation laws encourage investment

While it is widely believed there is no taxation in the UAE, it is prudent to be aware of all the details, especially when doing business in this part of the world. The UAE is a federation in which each emirate is allowed to draft its own laws and regulations, as long as they are consistent with existing federal regulations. As a result, there is no federal tax legislation in the UAE, although each emirate has its own tax laws.

CORPORATE TAXES: The tax legislation in force in Abu Dhabi, Dubai and Sharjah has established a general corporate taxation regime and provided for the imposition of income tax on trades and businesses generating incomes of more than Dh1m ($272,000), up to a maximum level of 55%. In practice, only two kinds of business have been subject to corporate income tax. They are oil and gas companies, which are expected to pay taxes at a rate of 55% of UAE-sourced taxable income, and branches of foreign banks, which must pay a tax of 20% of taxable income.

PERSONAL TAXATION: There is no personal income tax levied against individuals in the UAE.

SOCIAL SECURITY: Only UAE nationals are subject to these taxes. Companies are expected to contribute 12.5% of the employee's monthly salary and a 5% contribution is deducted from the employee's pay.

WITHHOLDING TAXES: There are no withholding taxes levied against companies in the UAE.

CAPITAL GAINS TAXES: Currently, both short-term and long-term capital gains are not taxed in the UAE.

SERVICE CHARGES: The sales tax/service charge framework is not well defined; most restaurants and hotels charge 10% on the value of the food and services that they provide to customers.

MUNICIPALITY FEE: Municipal service charges are currently levied in Dubai at a rate of around 5% of annual rent. The tax on alcohol-related items is 30%.

CUSTOMS DUTIES: Goods entering the UAE are charged at 5% of the import value, with no duty charged on exports. Furthermore, entities in the free zones are exempt from this charge, unless the goods are transferred to the UAE market. However, raw materials imported for manufacturing activities are exempt from paying Customs duties, upon obtaining duty exemption permits from the authorities.

The GCC Common Customs Law of 2003 provides for payment of duty only once – at the time of entry into any of the GCC countries. Any differential in duty rates within the region is settled separately.

DOUBLE-TAXATION TREATIES (DTAS): These are intended to make the UAE an attractive place to locate by reducing taxes levied overseas on profits remitted abroad by foreign corporations operating in the UAE. There are double-taxation agreements with 44 countries and more are in the works. Under these, profits derived from shares, dividends, interest, royalties and fees are taxable only in the contracting state where the income is earned. Additionally, the UAE has signed an agreement with the Organisation of Economic Cooperation and Development to harmonise taxation issues within the Arab region.

FREE ZONES: There are currently more than 35 free zones in the UAE, the majority of which are in Dubai. While each has its own regulations, all offer tax holidays that range from 25 to 50 years. They also offer incentives such as duty-free imports and exports and the unrestricted repatriation of profits and capital.

DUTIES & FEES: Licence fees, the high cost of rent (the government charges 5% of office rent and 15% of warehouse rent as a market fee forming part of the yearly licence costs), visa fees and the like are usually construed as forms of indirect taxation. Another way of looking at this would be to calculate that the cost of doing business in some cases can be higher than expected. Having said that, the UAE is a very attractive destination for trade and services, and the rising costs are part of any growing economy. It is reassuring to know that in general, the consensus is that direct taxation is not seen to be on the agenda in the medium or long term. There are discussions on implementing a value-added tax in the coming year or two.

RAK is home to several free zones that boast a variety of incentives

Investment-friendly

The emirate has implemented measures to facilitate business

Trading has been the economic backbone of the region from time immemorial, as well as being a passion and a way of life. Ras Al Khaimah's journey towards becoming a market economy began a decade ago. Today it is a front-runner in trade on the subcontinent.

FREE-ZONE BOOST: RAK translated to English means "top of the tent". Located at the northern end of the UAE, RAK covers 1700 sq km and has a population of 300,000 people. With 64 km of coastline, its borders are the Gulf and the Hajar mountains. The emirate is divided by an inlet into old RAK to the west and Al Nakheel to the east. It also has some geographically scattered islands that are part of its territory. Despite a lack of oil, it has one of the region's most bullish economies. It has accomplished this partly through the creation of two free trade zones (FTZs) and the RAK Investment Authority (RAKIA), which was set up in 2005 to attract inward investment in a variety of sectors ranging from ceramics to resources. It now is venturing abroad also.

RAKIA was established in 2005 to diversify and promote the various economic investment sectors of RAK. The authority is the key facilitator for inward investments and RAK's business development, and it has established a very supportive environment for private and foreign investments. During the first three quarters of 2007, RAKIA saw growth of 200% in the number of companies registered with the authority, to take the total number of firms to more than 1000. RAKIA is one of the fastest-growing free zone organisations in the region. In the third quarter of 2007 RAKIA attracted 217 new companies to RAK, representing an increase of 23% over the previous quarter. This dramatic rise in investment and economic development is due to the investor-friendly regulations of RAK.

The RAK Investment and Development Office (RAKIDO) was established in 2004. It was created with the aim of identifying new investment opportunities and making it easier for prospective investors to establish new businesses in the emirate. It has supported the launch of major companies such as RAK Properties, RAK Petroleum, RAK Lube Oil Company and Saraya Islands. RAKIDO also seeks global investment opportunities through new ventures, as well as mergers and acquisitions, particularly in industry and tourism.

Reasons for investment in RAK:

- Politically safe;
- Free from corporate and income tax;
- Full repatriation of capital and profit;
- Lower cost base for labour, office and warehouse;
- Inexpensive cost of living;
- Duty-free, progressive and fast-growing FTZs;
- Sea port at the entrance of Gulf;
- Easy road, sea and air access; and
- Significant growth.

COMPANY FORMATION: The RAK FTZ Authority International Companies Regulations 2006 were introduced to register and govern offshore companies in the FTZ. The RAK international registry has sparked interest throughout the UAE and overseas and has proven successful in incorporating a large number of international companies since its launch. Under the regulations a limited liability international company can be formed with a minimum of one shareholder, one director and one secretary. The beneficial owner can then choose to opt for the applicable law by virtue of the Emiri Decree No. 6 of 2006 to decide matters concerning:

- Dispute with the partner or beneficial owner;
- The death of partner or beneficial owner; and
- Any other matters that are not specified that concern the affairs and continuation of the company.

The capital structure can be decided by the shareholder. However, all the shares must be fully paid when allotted and the international company is also allowed to create different classes of shares, including bearer shares with certain restrictions.

International Companies: An international company is required, at all times, to have:

- A registered agent, approved by the RAK FTZ Authority (Authority). The registered agent shall be located in the FTZ or elsewhere in the UAE; and

While there is no value-added tax in the emirate there is talk of introducing one in the near future

- A registered office, which must be an office maintained in the FTZ by the company in the free trade-zone or in the UAE by its registered agent, to which all communications and notices may be addressed.

International companies may conduct any business subject to the following restrictions. The international company shall not carry on:

- Business with persons/entities in the RAK FTZ or in UAE unless otherwise provided in the regulations;
- Any other business that may be prohibited; or
- Banking business or business as an insurance or reinsurance company, insurance agent or insurance broker, unless it is licensed under UAE law.

If the international company wishes to conduct trade or other business outside the RAK FTZ elsewhere in the UAE, it must obtain the appropriate licence to conduct such trade or other business activity from the competent authorities in the UAE. An international company can hold a bank account in the UAE for the purpose of conducting its routine operational transactions.

Features of RAK international companies:

- Private company limited by shares;
- May own shares in other companies;
- Can maintain bank accounts in the UAE;
- Can employ local professionals in the UAE;
- Limited liability company;
- Option of one or more shareholder;
- Minimum of one director required;
- Shareholder may become a director or secretary;
- Facility to issue bearer shares;
- Multiple classes of shares;
- No requirement to hold meetings on a regular basis;
- Mechanism for alternate dispute resolution;
- Annual accounts are not required; and
- Able to trade in or own real property in the UAE.

Advantages of RAK international companies:

- Zero taxes and duties;
- No tax information agreement with any countries;
- No record-keeping requirements;
- No public disclosure of information;
- No minimum share capital;
- Easy transfer of shares and assets;
- Able to issue restricted bearer shares;
- Bearer shares can be converted to registered shares;
- Simple accounting requirements;
- Minimal government and registered agent fees;
- Confidentiality and protection;
- Company name reservation (up to 90 days);
- Company can be limited or incorporated;
- Multiple classes of shares; and
- Option to choose the applicable law.

Highlights of RAK FTZ international companies:

- Tax- and corruption-free with no red tape;
- Benefits from the bilateral non-double taxation treaties in the world including with France, Germany, Italy, China and India; and
- Assurances and mechanisms for total confidentiality unless there is suspicion of criminal activity.

The UAE has no federal taxation, but most emirates have enacted laws to levy taxes from the companies operating on their territory. RAK has introduced its own tax decrees, which could impose income on businesses at rates of up to 50%. However, it generally appears that when reviewing investors' benefits and the volume of economic growth in the territory, there are a lot of reduced rates provided to companies. Except anti-money-laundering measures prescribed by the central bank, there is no specific foreign exchange control in RAK.

According to Decision No. 20 of 2005, UAE nationals can own property in all areas of RAK. Gulf Cooperation Council nationals are not included in this decision, but it is understood that they will be treated in the same way as UAE nationals. All other nationalities can own property in specific investment projects by establishing a company in the RAK FTZ. Decision No. 18 of 2005 grants some land to RAK Properties to be developed and units can then be sold on a freehold basis. In 2003 a local law regulating flat ownership in RAK was issued to regulate the ownership of units in the emirate. The grant of long leases to foreigners would not violate any local laws in RAK. The civil transactions law, Federal Law No. 5 of 1985 (subsequently amended), is silent on the matter of property regulations and leaves them to each emirate's own local decisions.

RAK Offshore, part of RAKIA, was set up in 2006 to offer a variety of international business and financial activities. RAK Offshore is anticipating federal approval to set up offshore financial business such as trusts, foundations, funds and banks. Through 25 agents, who are mainly well-known law firms and chartered accountants, it has set up more than 250 international companies and will go international in 2008.

The RAK Education Company (EDRAK) was established in 2006 to ensure quality education as a key to development and prosperity. EDRAK plans to open the doors to other investors as well with the aim of raising Dh1bn ($272m) to fund projects in education. The focus areas are basic education and higher education.

OBG would like to thank *Morison Menon Chartered Accountants* for compiling these articles for THE REPORT Ras Al Khaimah 2009

Only UAE and GCC nationals can hold a licence for a real estate office

The latest on legislation

Recent changes to regulations

Some amendments were enacted to Ras Al Khaimah's laws and regulations in 2008. The amendments are focused on the field of real estate for the purpose of enhancing and stabilising this sector and providing a suitable legal environment for all those who are involved in it, such as landlords, tenants, developers and purchasers of freehold property.

Therefore, the main regulations issued in RAK in 2008 are the rent law, the Emiri decree for guarantee accounts of real estate developments and the law on running real estate offices in RAK.

THE RENT LAW: Rent Law No. 8 of 2008, released on May 26, 2008, was issued for regulating the relationship between landlords and tenants. The new law fixed the rent increases at 5% for residential properties and 7% for commercial properties in RAK, and in its article No 24 stipulates the landlord's right to evict tenants. The wording of this article is vague and was criticised, as it leaves landlords with an upper hand and is unfair to the tenants.

Thus, RAK has passed an order to freeze this new rent law and to amend some of its provisions. Meanwhile, the previous law with a 15% rent cap was applicable and effective until October 1, 2008, but it was then extended until November.

On November 11, 2008, the government of RAK introduced a new tenancy law No. 14 of 2008, issued by Sheikh Saud bin Saqr Al Qasimi, the crown prince and deputy ruler of RAK, which amended the previous law and restricted the landlord's right to evict the tenant to a specific set of circumstances.

The main situations that the law addresses are the tenant's failure to pay the rent within 15 days or the tenant's subleasing of the property without written authorisation of the property owner.

In addition, the law provides that the lease contract shall be subject to an extension of three years for the benefit of the tenant, calculated from the date of entry into force of this law. Furthermore, another law, No. 36 of 2008, which was issued on November 11, 2008, imposes a 15% rent cap on contracts signed before January 2004, 10% on those signed before January 2008 and 5% for those entered into thereafter.

LICENCE FOR RUNNING A REAL ESTATE OFFICE: According to a recent resolution passed by Sheikh Saud bin Saqr Al Qasimi, only nationals of the UAE and other Gulf Cooperation Council countries can hold a licence to run a real estate office in RAK.

The licence holder must run the business by himself or through a relative and is not allowed to lease the licence to any other person.

If the real estate office's scope of business includes selling, buying and brokerage of land and properties, a bank guarantee of Dh300,000 ($81,700) is also required from the company.

Furthermore, if the office practices the leasing of land and properties, the bank guarantee will be Dh100,000 ($27,200), and if it sells, buys, leases, brokers and manages lands and properties, the guarantee amount will be Dh400,000 ($109,000).

The new law also stipulates the percentage commission that these offices may receive in return for their services, terms and conditions for licensing real estate offices, and their responsibilities and duties, as well as legal liability.

DECREE ON REAL ESTATE ACCOUNTS: Emiri Decree No. 22 of 2008 was issued pertaining to the establishment of guarantee accounts for real estate development projects in the emirate. The decree makes it mandatory that developers intending to sell off-plan units in real estate development projects must submit a motion to RAK Investment Authority (RAKIA) to open a guarantee account in which all amounts paid by property buyers or by project financing parties will be deposited.

As per the decree, developers, who are licensed to carry out real estate development activities in the emirate, should be registered with the Register of Developers to be prepared by RAKIA.

Foreign bank branches are subject to corporate tax at a rate of 20%

A more favourable destination

The emirate's foreign investment laws

The UAE has witnessed unprecedented levels of investment in the past few years due to the attractiveness it presents to foreign investors. Such attractiveness was accentuated by *fDi* magazine – a foreign direct investment magazine published by The Financial Times Business Group – which nominated Ras Al Khaimah as the sixth most attractive city for foreign direct investment while listing the top 20 Middle Eastern cities. According to this survey, RAK is ranked as first in the UAE, followed by Abu Dhabi and then Dubai.

FOREIGN INVESTMENT LAW: Unfortunately neither federal nor local laws have been ratified for organising and covering foreign investment in the UAE and in each emirate, particularly in RAK. A few years ago discussions were held to enact such a law and a draft has been provided by the Ministerial Committee for Legislation and referred to the cabinet. Many goals were taken into consideration by the committee while drafting this law, including attracting investment in areas that are not the country's core competencies; encouraging investment that increases economic diversification, technology transfer, training of local citizens and high-value-added industries and services; and directing investment towards underdeveloped areas.

The new law details the procedure to be followed in foreign investment in the UAE and will apply to all foreign investments in the country with the exception of investments in oil, gas, electricity and water, which are regulated by the relevant laws in each emirate. This law will not apply on investments in the free zones.

This draft has not been ratified as yet but is expected to be introduced soon. Meanwhile, guidance for current foreign investment can be obtained from free zone regulations, federal labour law, commercial companies law, commercial transactions law, agency law, freehold laws and employment of foreign citizens legislation, which are attractive for foreigners looking to invest in the UAE and particularly in RAK, but still this situation could be subject to improvement by enhancing some important fields such as arbitration.

In addition to the advantages that RAK shares with all other emirates, such as no personal income tax, no restrictions on repatriation of profits or capital, ratification of more than 40 double-taxation treaties and ratification of freehold laws, RAK also offers investors logistic and legal benefits.

The logistic benefits are illustrated on one hand by the low prices compared with the other emirates, and on the other hand by RAK's location. In fact, RAK has a strategic location, with connections to neighbouring countries via sea and its road network. The recent expansion of the Emirates Road between Sharjah and RAK is expected to positively contribute to the economic development of the emirate, having reduced the travel time to Dubai to 45 minutes.

RAK's legal advantages are reflected in the regulation of its free zones, the possibility of establishing an offshore company and in confirming the possibility of foreigners to hold real estate properties.

RAK is a relatively low-cost work environment, which is reflected in several areas that are beneficial to a foreign investor. RAK offers access to low-cost regional talent and it offers competitive energy costs. Furthermore, land and real estate prices in RAK are lower than in the other emirates.

RAK FREE ZONES: There are two free zones in RAK: RAK Investment Authority (RAKIA) and RAK Free Trade Zone (RAKFTZ), which offer foreign investors the possibility to establish companies with 100% foreign ownership and provide different types of legal entities depending on the nature of the activity to be carried out. It is also possible to incorporate a branch of an existing local or foreign company in the free zone.

Legally, a free zone entity is considered to be outside the scope of the country's jurisdiction and is restricted from carrying out activities outside the free zone areas. The goods entering the free zone will not be subject to import tax duty.

Both of RAK's free zones continue to prove their leading edge in innovation and technology. This fact has

been recently pointed out by *fDi* magazine, which ranked RAKFTZ 17th in its list of the "Top 100 Special Economic Free Zones of the Future 2008-09". The free zones are ranked according to multiple and complex criteria including economic potential, business friendliness, infrastructure, tax and other costs, and human resources.

The attractiveness of RAK's free zones is reflected in the increasing number of companies established during the past year. In this respect, RAKIA reported 23% growth in the number of companies registered in 2007. Overall, RAK FTZ has more than 4700 companies established by investors from 106 countries.

RAK FTZ has established business centres in Abu Dhabi and Dubai. This way an investor can base the manufacturing or distributing facilities in RAK and hold an office in one or both of those business hubs. RAKIA is also now considering offering this service.

Freehold ownership and offshore companies: Besides Jebel Ali Free Zone in Dubai, RAKFTZ and RAKIA are the only entities which offer offshore service in the UAE.

Offshore companies offer many advantages: they do not need a minimum capital for incorporation; appointing a resident director is optional; and they can open a bank account in the UAE to operate their business transactions. However, the company must be founded through an agent, and it is restricted from carrying out business in the UAE, whether inland or in a free zone area; it can only carry out its activities abroad.

An offshore company is usually the best vehicle for a foreign investor to buy real estate within freehold areas under the name of the company. RAK was the first emirate to emulate Dubai in recognising and confirming foreigners' right to own real estate within specific areas in the emirate – mainly in Al Hamra Village, the Cove and Saraya Islands. A new federal law is under preparation and is expected to be introduced in 2009; the new law grants renewable six-month residency visas to owners of freehold property. The Ministry of Interior is also studying the possibility of granting residency visas to families of property owners. The enactment of such law will enhance the position of foreigners with the UAE. RAK has always granted investor visas to buyers of freehold properties or tenants of long-term lease contracts. However, it should be noted that neither the shareholders nor the directors of an offshore company (if any) can obtain a residence permit under an offshore company. This is only possible if the offshore company owns real estate.

PROPOSITIONS FOR IMPROVEMENT: When a foreigner decides to invest in a specific country he or she will take into consideration many important aspects of the regulations in that country which affect the rights and obligations as a foreign investor in order to ensure that these regulations secure the investor's status.

From this point of view, RAK could enhance some important fields such as arbitration and law of succession, to further improve its position and perhaps become the leading emirate for foreign investment.

Arbitration: Foreign investors and potential foreign investors usually prefer to insert in their contracts a clause referring the settlement of any potential dispute to arbitration in order to override the jurisdiction of national courts they have no experience with.

Until now, the most prominent arbitration centre in the UAE has been Dubai International Arbitration Centre (DIAC). RAK Centre for Mediation and Commercial Arbitration was created and established by an Emiri decree issued by Sheikh Saqr bin Mohammad Al Qasimi in 2008, and it will be managed by the RAK Chamber of Commerce & Industry.

RULES FOR ARBITRATION: The Emiri decree states that the articles of incorporation and the regulation of the centre will be prepared and approved by the RAK Chamber of Commerce & Industry. It would be very useful when drafting the rules of the centre to take into account a number of international and local factors which would increase the efficiency of this centre. In this respect, it is constructive to rely on the regulations and the experience of the International Chamber of Commerce and UNCITRAL rules as these are the world's leading arbitration centres and are the most adopted regulations in Arab countries and the Middle East.

In addition, factors relating to the special challenges in the UAE should be taken into consideration. For example, in the past few years the UAE has witnessed a surge in the field of construction. Due to the current economic crisis, construction projects in the UAE have slowed down or been put on hold, and therefore, many disputes are arising or expected to arise before arbitral tribunals in the near future in the UAE. In this respect, an arbitral tribunal will face problems relating to legal matters such as the question of consolidation of several disputes relating to the same problem or the joining of a third party to an arbitration proceeding. These legal questions are frequently faced in construction arbitration cases; therefore it would be useful to implement provisions addressing these important questions in the rules of the RAK arbitration centre.

Inheritance matters: Clarifying inheritance regulations would be another factor that would encourage investors to invest in this emirate by purchasing properties and holding assets, especially when the investor can be 100% sure that the his or her national law would apply on these assets when requesting so.

Under the existing laws of the Civil Code and the Personal Affairs Law, such affirmation could only be granted for movable assets and not for immovable assets, such as property. This is due to the ambiguity of these laws and the divergence in the doctrine regarding their interpretation. Therefore, issuing a local law, and furthermore a federal law, which would clarify the matter of insurance, would help to improve the situation for foreign investors in the UAE and in RAK.

In the past few years the emirate of RAK has been attracting an increasing number of foreign investors for a number of reasons highlighted above. However, some improvements in various legislative fields would further intensify investor interest in the emirate.

OBG would like to thank *Strohal Legal Group, International Legal Consultants* for compiling these articles for THE REPORT Ras Al Khaimah 2009

Theodor Strohal

Setting a precedent

Theodor Strohal, Senior Partner, International Legal Consultants, on real estate legislation in the emirate

Ras Al Khaimah was one of the first emirates to provide freehold properties to be purchased by foreigners or foreign-held companies (Decisions No. 20/2005, No. 7/2006 and No. 12/2007). Long after RAK, Dubai changed the property law, and for many scholars it is still unclear if Dubai freehold grants the absolute right of ownership in the civil law sense.

Since the introduction of freehold there have been efforts by decision-makers to provide a secure environment for foreign investment. Shortly after Sheikh Mohamed bin Rashid Al Maktoum's Emiri decree (Laws No. 13 and 14/2008), introducing the escrow and mortgage conditions for off-plan sales for Dubai, in June 2008 Sheikh Saud bin Saqr Al Qasimi, the deputy ruler of RAK, issued Emiri Decree No. 22/2008. Implementing RAK Investment Authority (RAKIA) as the controlling body for all off-plan sales gave a new perspective to an existing infrastructure with experienced personnel. Even though the background for the decrees was providing security for the investor against fraudulent developers and agents, from the present viewpoint it seems as if the rulers had foreseen the crisis and had wisely stopped speculation with investors' monies.

What may be lacking is a modern land registry, based on the principles of public access via the internet, registration, priority and confidence. These electronic land registries are common in most European and many countries in the Americas where the purchase or mortgaging of land is legally effective only upon registration. Implementation of such an electronic land registry would meet the requirements of a modern real estate law and the demand of buyers, sellers and lenders.

Being the most progressive emirate concerning the availability of freehold properties and securing investment, it seems to be highly recommendable to invest in modern features of real estate legislation by offering the advantages of an electronic land registry. The local mentality of trying not to disclose private issues to the public could be an obstacle. Through a public electronic land registry everybody could check a property for ownership, mortgaged debts, easements or other burdens or rights registered. In the first step only freehold properties could be implemented into the registry. To our knowledge the main developers being entitled to sell freehold properties (RAKIA, RAK Properties and The Cove) are of course fully electronically equipped, so implementing the features of a land registry should not require a huge investment. The main question is if the owner/buyer of a property wants to have his/her name and debts accessible to the public.

Last but not least, I may raise environmental aspects in connection with real estate legislation. RAK enjoys 350 days of sunshine, and many residential and commercial units are ready for handover but lack access to electricity. Taking into consideration that energy costs are known to be heavily subsidised, it would make sense to subsidise the construction of alternative-energy power plants such as solar, wind power or tidal plants. International institutions are ready to finance such ventures, and if a KW hour cost 60-70 fils ($0.16-0.19), it would still be significantly cheaper than using environmentally unfriendly diesel generators.

In view of a fast-growing population and economic activities it seems recommendable that the legislators focus on energy issues, e.g. by not granting construction permits without alternative energy being provided by the developer. Furthermore, any construction work and plant permits should be subject to strict rules on how to dispose of waste, wastewater and other materials that have an adverse environmental effect. Legislative activities along with a media campaign will help to raise awareness of the need to establish a comprehensive system of environmental protection.

Regarding the development of real estate laws, it can be recognised that RAK follows its path to become one of the most important investor hubs in the world. Also from the point of the present crisis, RAK performed remarkably well, and Dubai's downturn will send the investors (not the speculators) to neighbouring states with safe growth potential, such as Abu Dhabi and RAK.

The Guide

Listings of some of the emirate's top hotels and resorts
Telephone numbers for ministries and local services
Useful information for new arrivals

Al Hamra Fort Hotel & Beach Resort

For business and pleasure

Hotel and resort options to make the most of your stay

Al Hamra Village Golf Resort

AL HAMRA FORT HOTEL & BEACH RESORT
PO Box 1468
T: (07) 244 6666
F: (07) 244 6677
www.alhamrafort.com
hamfort@emirates.net.ae

Rooms: 83 deluxe guest rooms in the main building, including a honeymoon suite, a diplomatic suite and a royal suite, and 183 individual luxury villa rooms and suites.
Business & Conference Facilities: All essential services, secretarial services, international direct dialling telephones and broadband internet connection. Meeting rooms with seating capacities up to 1200 persons, overhead projector, slide projector, screen flip chart, stationary, microphones, TV screen, VHS player, LCD screen, fully equipped flexible conference space seating up to 1200 people.
Health & Leisure Facilities: Fitness centre, aerobics studio, spa & massage room, outdoor jacuzzi, 2 outdoor heated swimming pools, separate saunas for men and women, beach club, golf club, shooting club, equestrian club, 2 full-sized flood-lit tennis courts, mini-golf, beach volleyball, football, bowling, billiards, racing, karting, water sports including kayaking, paddle boating, windsurfing, laser sailing, catamaran sailing, sailing, bodyboarding, water skiing, jet skiing, wakeboarding, kneeboarding, water polo and scuba diving.
Guest Services: Kid's club, electronic safety deposit boxes, 24-hour room service. A variety of organised trips are available, such as diving site with complete diving equipment hire, dhow cruises to Musandam, desert safaris, camel riding, sandboarding, henna painting, dune driving.
Wining & Dining: Le Chalet (light meals, seasonal à la carte specialities), Don Camillo (Italian cuisine, lunch & dinner), Al Jazeera (Lebanese cuisine), Al Shamal (all-day, themed buffets, seasonal à la carte specialities), Seafood Market Restaurant, Sirocco Bar, Club Malibu.

AL HAMRA VILLAGE GOLF RESORT
PO Box 1468
T: (07) 244 6666
F: (07) 244 6677
www.alhamrafort.com
hamfort@emirates.net.ae

Rooms: 28 individual villas offering 219 rooms and suites.
Business & Conference Centre: Satellite receiver, all essentials.
Health & Leisure Facilities: Fully equipped fitness centre, 2 massage rooms, sauna, outdoor heated swimming pool, beach club, water sports and diving available at the adjacent water sports club.
Guest Services: Kid's club, 24-hour room service, rooms with minibar, electronic safety deposit boxes, complimentary shuttle service to Dubai, outdoor poolside bar, private beach, 24-hour golf cart service.
Wining & Dining: Village Restaurant, La Cabana Beach Restaurant, The Village Pub, Pool Bar.

HILTON RAS AL KHAIMAH HOTEL
PO Box 11133
T: (07) 228 8888
F: (07) 228 8889
www.hilton.com
ras-al-khaimah@hilton.com

Rooms: 227 rooms, including 1 presidential suite, 4 junior suites and 4 deluxe suites.
Business & Conference Centre: All essential services, business phone service, express mail, fax, meeting rooms, high-speed internet connection, office hire, photocopying and printing services, all secretarial services. 4 ballrooms, audio-visual equipment, internet access.
Health & Leisure Facilities: 2 full-sized tennis courts, table tennis, children's playground, pool table, temperature controlled swimming pool, fitness centre, free

Hilton Ras Al Khaimah Hotel

beach access by shuttle bus to nearby resort, beach volleyball, football and water polo at nearby resort.
Guest Services: Beach access, room service, babysitting service, children's activities, baggage storage, vehicle hire, barber shop and beauty salon, 24-hour concierge, currency exchange, gift shop, valet service, laundry, local area transport, multilingual staff, safety deposit boxes and facilities for guests to book tours.
Wining & Dining: Al Khor Restaurant (local & international cuisine), Hoof 'n' Fin (steaks & seafood), Havana Cuban Lounge, Aqua Pool Snack Bar, Lobby Lounge.

BIN MAJID BEACH HOTEL
PO Box 1946
T: (07) 235 2233
F: (07) 235 3225
www.binmajid.com
bmbhrak@emirates.net.ae

Rooms: 136 rooms, including rooms with connecting doors, suites and executive suites.
Business & Conference Facilities: All essential services, secretarial services, international direct dialling telephones and internet services. Conference room with seating capacities of between 10 and 30 people, overhead projector, screen flip chart, stationary, microphones, TV screen and VHS/DVD player.
Health & Leisure Facilities: Fitness room, swimming pool, children's paddling pool, private beach, children's playground, beach volleyball, mini-football, table tennis, billiards, darts, beach garden and water sports, such as kayaking, paddle boating, windsurfing and jet skiing. Scuba diving is also available upon request and can be booked accordingly.
Guest Services: 24-hour room service, car hire, limousine and taxi services, babysitting, money exchange, electronic safety deposit boxes, a variety of organised trips can be arranged.
Wining & Dining: Al Rahala Restaurant (local & international cuisine, buffet & à la carte), Arcadia Coffee Shop, Al Saharia Restaurant (Arabic cuisine), Nalukettu Restaurant (South Indian Cuisine), Red Lion Pub, Sports Bar, UnUn Café, Makati Avenue Disco, Ranggela Night Club (Indian and Begali), Beach Bar (fast food).

KHATT SPRINGS HOTEL & SPA
PO Box 16000
T: (07) 244 8777
F: (07) 244 8882
www.khatthotel.com
gmoffice@khatthotel.com

Khatt Springs Hotel & SPA

Rooms: 130 rooms and suites.
Business & Conference Facilities: All essential services, secretarial services. Fully equipped flexible conference facilities for up to 200 people.
Health & Leisure Facilities: Hot springs Ayurveda spa (separate male and female sections), an outdoor swimming pool, 2 indoor swimming pools, state-of-the-art spa, health club, aqua and dry treatment rooms, ice grotto, sauna, steam bath, gym, Ayurvedic wellness centre, seaweed treatment, serail bath, rasul room and Cleopatra bath, fitness centre, temperature controlled swimming pool, water therapy pool.
Guest Services: 24-hour room service, desert safari and off-road driving tours, adventure trip to Hajar mountains, shopping arcade.
Wining & Dining: La Palmeraie Restaurant, Gen X Bar Springs Spa Juice Bar, Lobby Lounge, Springs Spa Bar.

Bin Majid Beach Hotel

HILTON RAS AL KHAIMAH RESORT & SPA
PO Box 12298
Al Maareedh St (Al Dhafan)
T: (07) 228 8844
F: (07) 226 0022
www.hilton.com
Ras-Al-Khaimah-Resort@hilton.com

Rooms: 151 deluxe villas already operational from December 2006 and 159 rooms from total 324 rooms expected to open by February 2009 and the final rooms set to open by the end of October 2009.

Hilton Ras Al Khaimah Resort & SPA

Whether on business or for pleasure....
Hamra Hotels & Resorts has to offer
There isn't a more comfortable or convenient travel option than Hamra Hotels & Resorts in Ras Al Khaimah. Whether you are traveling on a business trip, vacation, a quick getaway, or planning a meeting. Hamra Hotels and Resorts provide you a world of possibilities, from high levels of personal service to topnotch business amenities, superb options are available. A full range of breathtaking destinations and activities to choose from: sandy beaches, world-class spas, championship golf course, children's programs, superb dining and exciting outdoor trips.
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P.O. Box 1468, Ras Al Khaimah,
United Arab Emirates
T: +971 7 2042222 / F: +971 7 2446677
E: info@hamrahotels.com
Hamra Hotels & Resorts

Business & Conference Facilities: IDD, internet, colour LCD screens, all secretarial services provided. DVD players available upon request. Meeting room available from June 2009 with 2 boardrooms (up to 20 people each) and 1 multi-purpose room for 120 people.
Health & Leisure Facilities: 3 temperature-controlled pools at the villas with 1 kids' pool, 3 free form pools at the hotel with 1 kids' pool with slide, 2 multi-levelled pools with fresh and salt water. Fitness centre, yoga and aerobics facilities, spa with nine treatment rooms, including sauna, jacuzzi, hammam, steam room and relaxation room. Water sport centre, including windsurfing, water skiing, jet skiing, snorkelling and on-site diving centre. Kids' club opening in June 2009. Sand volleyball and table tennis.
Guest Services: Beach access, 24-hour concierge, 24-hours room service with private butler and spa butler available, babysitting, gift shops, pharmacy, currency exchange, internet access, laundry, valet service, salon, vehicle hire, tour guides, safety deposit boxes, shuttle bus to Dubai Deira City Centre 3 times per week, free shuttle bus to RAK shopping mall and old souk.
Wining & Dining: Hikayat El Arab, Al Fanar Lighthouse Bar, Al Bahar, Esprit (opening October 2009), Passage to Asia, Al Dhows Beach Bar, Maarid, Piacere Del Gusto, BN Café, The Dome Lounge, X.O. Bar, The Pool Bar.

Banyan Tree Resort

BIN MAJID BEACH RESORT

PO Box 3133
T: (07) 244 6644
F: (07) 244 6633
www.binmajid.com
bmbrrak@emirates.net.ae

Bin Majid Beach Resort

Rooms: 125 rooms, including standard, deluxe, executive suites and cabanas.
Business & Conference Facilities: All essential services, secretarial services, internet.
Health & Leisure Facilities: Fitness room, 3 pools for adults, 3 children's pools, private beach, sauna, indoor and outdoor jacuzzi, Ayurveda centre, flood-lit tennis court, children's playground, beach volleyball, football pitch, table tennis, billiards table, darts board, garden and water sports. Scuba diving is also available upon request.
Guest Services: 24-hour room service, car hire, limousine/taxi service, babysitting, money exchange, deposit boxes. Hotel also offers sunset trips, coastal trips, fishing trips with a chef, a diving site with complete equipment hire, dhow cruises to Musandam, dhow cruises with dinner, desert safaris, dune driving and sightseeing trips to other emirates.
Wining & Dining: The Oasis Restaurant, Al Nakheel Coffee shop, Zulu's Bar, Arabic Nightclub, Bengali Nightclub, Indian Nightclub and Beach Bar (fast food).

The Cove Rotana Resort

THE COVE ROTANA RESORT

PO Box 34429
T: 07 206 60 00
F: 07 206 22 00
www.rotana.com

Rooms: 204 rooms and 82 villas with 1, 2 or 3 bedrooms.
Business & Conference Facilities: All essential services, 3 fully equipped and flexible meeting rooms with the latest audio-visual equipment.
Health & Leisure Facilities: Private pools, bodylines fitness centre with professional instructors, jacuzzi, sauna, steam rooms, 7 massage treatment rooms, private beach, water and beach sports, kids' club.
Guest Services: Laundry & dry-cleaning, 24-hour room service, high-speed internet, car/limousine hire, mobile phone hire, valet parking, barber & salon, currency exchange, doctor on-call, news-stand, gift shop.
Winning & Dining: Cinnamon, Basilico, Breeze lounge bar, Laguna Bay pool side café, Sundeck pool bar and Breakers beach bar.

BANYAN TREE RESORT

(Opening in 2009)
PO Box 6374
T: (07) 244 6562
F: (07) 244 6561

Rooms: 101 rooms
Business & Conference Facilities: All essential services, 3 meeting rooms.
Health & Leisure Facilities: Gym, yoga/meditation centre, royal and deluxe spa, hydrotherapy centre, pool, activity centre, conservation centre, camel/horse riding, falconry, archery.
Guest Services: One-stop service, library, concierge services, wireless internet.
Winning & Dining: Saffron, Beach Club, in-villa dining.

RAS AL KHAIMAH HOTEL

PO Box 56
T: (07) 2362999
F: (07) 2362990
www.rakhotel.net
Email: rakhotel@emirates.net.ae

Rooms: 92 rooms including 2 presidential suite and 7 executive suites with creek or mountain view.
Business & Conference Facilities: All essential services, secretarial services, grand ballroom Al Maha & Al Seif (seating capacity up to 2000), the large hall can be divided into 2 or 3 halls with separate entrances.
Health & Leisure Facilities: Olympic-sized pool, children's pool, tennis and basketball courts, squash courts, table tennis, health club, sauna and jacuzzi. 18-hole Tower Links Golf Club, RAK Waterskiing Club and RAK Shooting Club are nearby. Tailored programmes such as dune drives, camel rides, Bedouin desert dinners, mountain climbing, scuba diving and desert safaris are also available upon request.
Guest Services: 24-hour room service, babysitting, valet service, laundry & dry-cleaning, gift shop, car hire, travel agency, beauty salon, internet.
Wining & Dining: La Tour D'Argent, Coffee Shop, Rox Bar and Pub, Al Mazar (terrace), Shahrazad Shisha, Awtar Restaurant (Arabic live entertainment) Barbera Coffee Shop, Golden Ferret (traditional British pub).

RAK is well connected to the other emirates in the UAE via the country's two main highways. The drive from neighbouring Dubai takes about 45 minutes. Flights from RAK International Airport serve destinations in the GCC, wider Middle East and Indian subcontinent.

While Arabic is the official language of the UAE, RAK is also home to sizeable communities of expatriates from South Asia and Europe, among other places. As a result, English is the most commonly used language when conducting business in this polyglot emirate.

MINISTRIES

Courts Department
233 1541
Economy
227 8000
Education
233 3333
Environment & Water
246 1666
Finance Department
228 1316
Information & Culture
227 6666
Interior
235 6666
Justice, Islamic Affairs & Awqaf
233 2329
Labour Department
233 7000
Lands Department
228 2222 / 233 3610
Medical District
228 3444
Municipality Department
233 2422
Planning Department
228 3480
Public Works & Service Department
233 2344

ASSOCIATIONS & AUTHORITIES

Chamber of Commerce & Industry
233 3511
Customs & Ports Department
233 3613
Department of Civil Aviation
244 8343
Economic Development Department
227 1222
Department of Federal Electricity & Water Authority
228 8444
Environment Protection & Development Authority
233 3371
Investment & Development Office
227 7888
RAK Free Trade Zone
204 1111
RAK Investment Authority
244 6533
Saqr Port Authority
205 6000
Transport Authority
227 8777

IMMIGRATION

Immigration Department
227 3333

CAR HIRE

Hertz
800 HERTZ (43789)
Impala Rent a Car
236 5929

CONSULTANCY & ACCOUNTANCY

International Legal Consultants
236 4530
Morison Menon Chartered Accountant
204 6400
Bin Shabib & Associates
227 3106
AGN Mak
227 3667
Deloitte
227 8892

HOSPITALS

RAK Hospital
207 4444
Saif Bin Ghubash Hospital
222 3555
Saqr Hospital
222 3666
Shaam Hospital
266 6465

EMERGENCY

Ambulance & Police
998/999
Directory Assistance
181
Fire
997
Information Services
700 017 000

TRAVEL

RAK International Airport
244 8111
Al Hamra Call Centre
800 1700
Air Arabia
222 1144
Air Lanka
228 1536
Egypt Air
233 5000
Emirates
222 9413
Etihad Airways
800 2277
Gulf Air
800 2200

NEWSPAPERS & MAGAZINES

Al Bayan (Arabic)
222 6060
Al Khaleej Times (Arabic)
233 4380
Gulf News (English)
800 4125
233 4857
Ittihad (Arabic)
233 2277

BANKS

Abu Dhabi Commercial Bank
233 2200
Abu Dhabi Islamic Bank
228 4448
Abu Dhabi National Bank
233 4333
Bank of Baroda
222 9293
Cairo Bank
233 2245
Commercial Bank International
222 7555
Dubai Commercial Bank
228 6266
Dubai Islamic Bank
228 4888
Dubai Bank
228 3220/ 800 5555
Emirates International Bank
227 2333
First Gulf Bank
228 0666
HSBC
233 3544
National Bank of Dubai
227 9888
National Bank of Umm Al Quwain
236 6444
Union National Bank
228 6600
RAK Bank
228 1127

COURIERS

Aramex International
600 544000
DHL Express
800 4004
Federal Express
800 4050
TNT Express Worldwide
800 4333
United Parcel Service
800 4774

USEFUL LINKS

www.uae.gov.ae
www.rak.ae
www.rakecon.ae
www.rakinvest.ae
www.rakmunicipality.rak.ae
www.rakftz.com
www.rakchamber.ae
www.raktourism.com
www.rakairport.com

Facts for visitors

Useful information for new arrivals

LOCAL CHARACTER: Ras Al Khaimah is a business-oriented emirate with an atmosphere that is welcoming to all nationalities. Traditional Arab hospitality is ubiquitous in RAK, with conversation always commencing with pleasantries before business matters are addressed. The day-to-day pace of life in the emirate is more relaxed than in neighbouring Dubai, and RAK manages to strike a good balance between urban hustle and bustle and a more laid-back atmosphere.

BUSINESS HOURS: The UAE's official workweek is Sunday through Thursday. Government offices are open Sunday through Thursday from 8.00am to 2.30pm. Private businesses are open from 9.00am to 5.30pm. Most other businesses, such as retail outlets, are open seven days a week. During the month of Ramadan working hours are until 2.00pm or 3.30pm, Sunday through Thursday. The time zone is GMT+4.

LANGUAGE: Arabic is the official national language, but there are also strong Indian, South Asian and European communities. English, however, is the most commonly spoken language in this polyglot emirate.

CURRENCY: The local currency is the UAE dirham. This is pegged to the dollar at a rate of $1:Dh3.67. Banknotes are available in denominations of 5, 10, 20, 50, 100, 200, 500 and 1000 dirhams and display both English and Arabic numerals. Coins have only Arabic numerals. Credit cards are accepted in hotels and most retail outlets. ATMs take most international cards including Visa, Cirrus and Maestro, and display information in both English and Arabic. All major banks in the emirate exchange traveller's cheques.

HEALTH CARE: The quality of health care in RAK is good, with a choice of public and private hospitals as well as a range of clinics and specialists. Health care is free for UAE nationals only. RAK has a number of new health care initiatives, featuring partnerships with internationally recognised hospitals. Travel and medical insurance is advised, as private hospitals can be costly. Health cards, which are available for Dh500 ($136), grant expats access to the main state hospitals.

TRANSPORT: RAK is well connected to every other part of the UAE by two main highways. A drive along Emirates Road from Dubai International Airport to RAK takes approximately 45 minutes. The emirate is serviced by flights from the other member states of the Gulf Cooperation Council (GCC) – Bahrain, Qatar, Kuwait, Saudi Arabia, Oman – as well as from the Middle East and the Indian subcontinent at its own local airport, RAK International Airport. Metered taxis are the main mode of transport, and they are cheap and relatively easy to find. A new fleet of public buses operating inside and outside of the emirate will be launched in 2009. Cars can also be hired locally.

VISA: Visa requirements vary according to nationality, and it is advisable to check with the UAE embassy for specific visa information. Citizens of GCC countries do not need a visa, while citizens of the US and EU member states are allowed to purchase a one-month, non-renewable visa when entering the country. A charge of Dhs100 ($26) for each visa will be collected at all entry points to UAE. Expatriates seeking to conduct business in the UAE require sponsorship from a company, a UAE resident, a hotel or a travel agency.

DRESS: The Emirati nationals living in RAK generally wear traditional dress. However, in public places such as malls and restaurants, Western forms of dress are completely acceptable. In more conservative areas in the mountains and smaller villages, women and men are advised to cover their shoulders and legs.

COMMUNICATIONS: The international dialling code for the UAE is +971, and RAK's dialling code is 07. The two mobile telecom operators in the country are Etisalat and du. Pre-paid SIM cards are inexpensive and are sold by licensed distributors, which can be found all over the emirate. Credit can be added to the phones in Dh25 ($6.80) and Dh50 ($13.60) denominations. ADSL and wireless internet are available in hotels.

ELECTRICITY: RAK operates on the three-prong, 230-V British system. However adaptors and transformers are available in many retail centres and most hotels.

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Across the region, UNB is a brand that is associated with trust and expertise. Our superior quality products and services have earned us the following prestigious accolades and certifications:

- Sheikh Khalifa Excellence Award (SKEA)-Gold - Financial Sector, 2005 one of the most prestigious awards for business excellence
- Dubai Quality Award in the Financial Sector in 2006 for business excellence
- "The Best Performing Bank in the UAE" by Forbes Magazine 2006
- ISO 9001:2000 Certification, the first bank of its size to be certified for all its operations and branches in the Middle East
- The Recognition of Commitment (ROC) Award 2005 from the Institute of Internal Auditors, USA
- Funds Transfer Award 2005 from The Bank of New York
- The Fastest Moving Bank in the Region by The Banker Magazine, July 2007

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Dubai Quality Award

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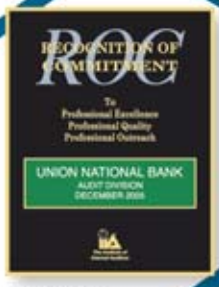

Recognition of Commitment Award (ROC) from The Institute of Internal Auditors, USA

The Fastest Moving Bank in the Region - Banker Magazine, July 2007

The Best Performing Bank in the UAE by Forbes Magazine

Funds Transfer Award from The Bank of New York

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Government of Ras Al Khaimah
RAK Investment Authority

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