

Punching above its weight - Ras Al Khaimah

Ras Al Khaimah, the northernmost of the seven emirates, was historically an important maritime and trading centre in the lower Gulf. Since the discovery of oil in the UAE in the 1960s, the emirate has been overshadowed by its wealthy neighbours. In the last few years, however, Ras Al Khaimah has started to find its own path, focussing on real estate and tourism.

Business in Ras Al-Khaimah has a history stretching back at least six centuries. Between the 14th and 17th centuries the area was known as Julfar and was a centre of trade and shipping between Arabia, Persia, Africa and Asia. The most celebrated citizen of Julfar was Ibn Majid, the greatest of the Arab navigators of the 15th century.

Since oil was discovered in the lower Gulf in the early 1960s, Ras Al Khaimah has been overshadowed by the extraordinary economic development in the oil-producing emirates. Oil and natural gas were not found in Ras Al Khaimah until the early 1980s. The emirate has modest oil reserves of some 100 million barrels, or 0.1 percent of the total in the UAE, and its natural gas reserves are estimated at 1,200 billion cubic feet, or 0.6 percent of the country's total¹.

Nevertheless, Ras Al Khaimah has shared fully in the growth and prosperity of the UAE. By official estimates, the population of the emirate has more than quadrupled in the last 20 years - from 43,845 at the census of 1975 to approximately 195,000 in 2003. The Gross Domestic Product (GDP) has increased by a factor of ten - from US\$ 180 million in 1975 to US\$ 1.9 billion in 2003. Ras Al Khaimah's income per capita, at about US\$ 9,723 per year, is comparable with that of Malaysia or Russia.

Ras Al Khaimah's economy

Compared to the other emirates, Ras Al Khaimah's economy is more dependent on government spending, which accounts for about 17 percent of the GDP (compared to 10 percent for the UAE as a whole).

However, Ras Al Khaimah also has an important agricultural sector, which contributes 12 percent to the GDP of the emirate and includes dairy farming, poultry, fruit and vegetable production. Private manufacturers in Ras Al Khaimah are also significant producers and exporters of cement,

ceramics and pharmaceuticals.

Wholesale and retail trade is estimated to contribute about 14 percent of Ras Al Khaimah's GDP. The gross value of Ras Al Khaimah's foreign trade is about US\$ 1.7 billion a year. Major destinations for exports and re-exports from Ras Al Khaimah include the other AGCC states, Iran, the CIS and the Czech Republic.

Table 1.

Ras Al Khaimah Emirate: Gross Domestic Product by sector, 2000

Sector	US\$ million	% of total
agriculture, livestock, fishing	185	12%
crude oil and natural gas	55	3%
quarrying	81	5%
manufacturing industries	126	8%
electricity, gas and water	66	4%
construction	142	9%
wholesale and retail trade, repair services	231	14%
restaurants and hotels	25	2%
transport, storage and communication	149	9%
real estate and business services	166	10%
social and personal services	33	2%
financial corporations	84	5%
government services	279	17%
domestic services of households	24	1%
less: imputed bank services	-41	-3%
total	1,605	100%

Source: UAE Ministry of Planning

Table 2.

Ras Al Khaimah Emirate: top 5 trading partners, 2003 US\$ million

imports	exports	re-exports
Iran 139	Bahrain 201	Oman 353
India 41	Kuwait 63	Ukraine 320
Japan 29	Iran 16	Czech Rep. 250
Saudi Arabia 13	Belgium 15	Qatar 36
Panama 13	Saudi Arabia 12	Russia 25
Total 319	Total 338	Total 1,029

Source: UAE Ministry of Planning

Attracting foreign investment

Like other emirates, the Government of Ras Al Khaimah has recognised the need to encourage private investment. The principal agency for attracting foreign

¹ Source: Oil and Gas Journal.

investment is the Ras Al Khaimah Free Zone Authority, which operates three free zones in the emirate - the centrally located Business Park, the Industrial Park near Port Saqr and the 71-hectare Technology Park to the south of Ras Al Khaimah city. Although established only in 2000, the Ras Al Khaimah free zones had attracted over 700 companies as of September 2004.

The drive for tourism

The Government of Ras Al Khaimah has also identified tourism as a priority industry. The emirate has a variety of tourist attractions, including beaches, mountains, sand dunes and antiquities. At present there are only six hotels and three motels in the emirate, with a total of about 1,450 beds, and the number of guest arrivals is estimated at approximately 125,000 per year including domestic and international visitors. However, Ras Al Khaimah is marketed as a holiday destination by a number of international tour operators, mainly in Germany and Russia, and a series of ambitious projects has been announced with a view to transform the tourism industry in Ras Al Khaimah.

According to the Ras Al Khaimah Tourism Division and press reports, the principal projects include the following:

- Al Hamra Village, with four 5-star resort hotels, a marina and an 18-hole golf course - due for completion in 2006
- Khor Qurm, including provision for 11 resort hotels, an ecological tourism hotel, a heritage village and an "Arabian Adventures" theme park, set on a coastal strip of 13 km
- Jebel Jais Mountain Resort, including a 5-star hotel and conference centre, and facilities for snow skiing and other mountain sports
- A number of 5-star hotels in Ras Al Khaimah City
- Murjan Island, an artificial island and causeway to the south of Ras Al Khaimah City, which is planned to incorporate a number of luxury beachfront hotels
- The redevelopment and expansion of Ras Al Khaimah International Airport.

The property market

Following the concepts developed in Dubai and Ajman emirates, Ras Al Khaimah is also making efforts to attract expatriate investment in real estate. In March 2005 the Ras Al Khaimah Real Estate Company was launched with an authorised capital of US\$ 545 million, of which 45 percent is held by the emirate government and 55 percent is available to the public. The company's objectives are the construction, purchase, sale and rental of real estate. According to

official statements, at least 5,000 units are under construction or in the planning stage in the emirate.

Residential projects so far announced in Ras Al Khaimah include the following:

- 1,350 units at Al Hamra Village, currently offered at prices ranging from US\$ 87,000 to US\$ 1.25 million. The first phase is due to be completed this year and the whole project is scheduled for completion in 2007.
- 500 apartments and villas at Khor Qurm

The mix of residential properties offered in Ras Al Khaimah is weighted towards the luxury class, and therefore appears to be targeting affluent retired or self-employed people, and purchasers of second homes or holiday homes. This offering puts Ras Al Khaimah in direct competition with property developers in Dubai.

Prospects and opportunities

Like the rest of the UAE, Ras Al Khaimah cannot depend wholly on hydrocarbon resources. The emirate's oil and natural gas sector contributes just 3 percent of the GDP, and is equivalent to less than 20 percent of government spending in Ras Al Khaimah. The encouragement of foreign private investment is therefore a top priority as a means of sustaining the economic development of the emirate.

Given the emirate government's commitment to infrastructure development, it is reasonable to anticipate a new wave of economic growth in Ras Al Khaimah. With the extension of Emirates Highway 11 to Ras Al Khaimah expected to be completed later this year, Ras Al Khaimah will be within an hour's drive of Dubai and less than two hours from Abu Dhabi. Ras Al Khaimah International Airport can also expect to benefit from the continuing efforts of Dubai, Abu Dhabi and other emirates to attract international tourists and business visitors.

To succeed in the competitive business of attracting foreign investment and international tourism, it will be important for Ras Al Khaimah to exploit its natural advantages. The relatively low rents and costs of doing business will help attract foreign investors. The development of tourism calls for a careful balance between growth and protection of the environment. The success of property development will depend ultimately on demographic growth, and on a realistic match between the products offered and the needs of the market.

Ras Al Khaimah, if it manages to strike the right balance, has an excellent chance of finding a unique role as a business location, as a tourism destination, and as a place to live.
