

**Presentation by
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“BAHRAIN: GATEWAY TO THE GULF”
Networking Event
May 19, 2005
Permanent Mission of the
Kingdom of Bahrain to the United Nations
866 Second Avenue, 14th Floor
New York, NY**

“Business Opportunities for U.S. and Bahraini Business Development”

Thank you and welcome to today’s gathering under the patronage of the Manhattan Chamber of Commerce. I would like to personally thank Ms. Nancy Ploeger, President, and Board Member, Ms. Louise Shoheit. I am also thankful to our sponsors:

1. TAIB Bank, E.C./TAIB Securities, Inc., especially my friend, Mr. Iqbal G. Mamdani, Vice Chairman & CEO -- he has always been most helpful and kind, and
2. The Herman Group of Companies, thanks to Ms. Sherri Herman Pres. & CEO, for her support.

I would also like to extend my thanks and appreciation to His Excellency, Ambassador, Tawfeeq Ahmed Almansoor, Permanent Representative of the Kingdom of Bahrain to the UN and his staff for being very helpful in facilitating our work and allowing us to conduct this gathering on their premises. I can assure you that we will do it again and again with His Excellency's kind hospitality.

I would like to recognize and thank Mr. Ahmed Arrad, Charge d'Affaires, who is with us tonight as His Excellency, Ambassador Almansoor, is attending a conference abroad.

I have seen some of those in the audience last year at our own gathering—our Road Show -- on September 22nd, 2005 at the New York Palace Hotel and the Metropolitan Club as well as at other special events hosted by other distinguished trade related organizations.

Since the liberation of Iraq, ladies and gentlemen, the Middle East North African region (MENA) is experiencing economic stability and subsequently the rate of growth over the last two years averaged 6.0%, up from 4.0% growth rate during the 1990s.

Bahrain, being an integral part of the MENA region, has seen high economic growth which was about 8% in 2003 and would be the same in 2004, if not more, given the new projects underway because of this economic stability. Investment as a percentage of the GDP increased from 13% in 2001 to almost 20% in 2003. The same is happening in the region. It is a positive sign for the future economic

development of the region and more opportunity for a greater economic relationship with the U.S. Bahrain can become the hub for American financial and non-financial corporations.

For those of you who do not know about Bahrain, Bahrain is a small group of islands located in the heart of the Gulf linked by a 25 KM (approx. 13 miles) causeway to Saudi Arabia and very soon will be linked by a much longer causeway to Qatar. It is a constitutional monarchy with a bicameral legislature (a lower chamber of elected representatives and an upper house of appointees). The appointed upper chamber is composed of different minorities like Christians and Jews on one hand, and different interest groups like writers, industrialists, traders, and think tanks) NGOs on the other hand—a way to allow them to have a direct say in new legislation and in the socio-economic and political sphere.

The Executive Board of the International Monetary Fund in the Article IV Consultation with the Kingdom of Bahrain concluded and indicated, and I quote:

“Endowed with smaller oil resources than its neighbors, Bahrain established a policy of openness and diversification early on and has become one of the most advanced economies in the region with liberal exchange rate, trade, and investment regimes. Macroeconomic performance has fared well relative to the other countries of the Gulf Cooperation Council (GCC). Diversification efforts have resulted in the development of non-oil activity in manufacturing (in particular, aluminum) and various non-financial services, including

tourism. In addition, efforts to establish Bahrain as a regional banking and financial services hub have had notable success.”

Another paragraph from the IMF indicates, and I quote:

“The Executive Directors [of the IMF] commended the Bahraini authorities for their prudent management of the economy, which has resulted in consistently high GDP growth, low inflation, a manageable debt situation, and positive social and development indicators. They endorsed the authorities’ strategy to improve the country’s competitiveness and growth prospects through continuous openness, diversification away from oil and gas production, and institution building. The most notable success has been in the financial sector where, through appropriate regulations and innovations in conventional and Islamic finance, Bahrain has become a regional hub.”

I ask you to consider these paragraphs because they illustrate Bahrain’s level of sophistication and ability to truly be a hub for various financial and non-financial corporations willing to work in Bahrain or in the region.

Unlike the U.S. relationship with other countries of the region, the relationship between the U.S. and Bahrain commenced in 1893 with social and health dimensions. The story begins in 1888, not very far from here at the theological seminary of the Dutch Reformed Church know as “Holy Hill” in New Brunswick,

New Jersey, where the Arabian Mission was born and Bahrain was chosen as its hub to discover the region and serve it. It was not until 1893 that the Mission's first house was leased in Bahrain and was equipped with medical facilities. A bookshop was also established. Later a hospital, fully financed by the Mason family, was erected and called Mason Memorial Hospital.

The Arabian Mission then created its own compound in Bahrain which consisted of the Mission house, a private house, a chapel, a school and, of course, the hospital. This center was used as a base to service the region as a whole. Today, the hospital still exists but the name has changed to the American Mission Hospital. The church is still receiving people of faith and the school is one of the best in the region, is always full. Commercial relations started later. In 1928-1929, Standard Oil of California (SOCAL), Chevron today, was given the concession to explore oil in Bahrain. In 1932, oil was discovered, and CALTEX built a refinery in 1936 to cater to the regional needs. The refinery is still there and functional having undergone some renovation. During the Second World War, Bahrain was an important base for the "Allies." Our refinery was bombed by the Italians. Later in 1948, the U.S. officially declared Bahrain being its naval base. Today, Bahrain is the home port of the Fifth Fleet. Bahrain's government and people work hand in hand for the reconstruction of Iraq and to combat terrorism. For example, in Bahrain, 4,000 Iraqi fire fighters as well as other groups were trained since the American liberation of Iraq.

Bahrain's economy is a "gateway to the Gulf" and the region. Although Bahrain is small in size, it is big in its capacity to access regional and world markets through 40 economic and investment agreements that it has signed with different countries. The Economic Pact and Customs Union with the GCC countries, which includes Kuwait, Saudi Arabia, Qatar, the UAE, and Oman, gives free access to companies based in Bahrain to those markets. A free trade agreement has already been signed with Thailand and Singapore, and negotiations are underway with New Zealand. Of course above all, Bahrain has signed a free trade agreement with the United States and now this FTA is in the hand of the U.S. Congress awaiting ratification.

Bahrain's economic exposure is almost 200% which means that trade is an important component of the economy and will always be a source of its economic growth and development.

Many among you might ask why Bahrain is the hub and not other countries:

1. Friendly social environment
2. Tolerant society
3. Western style of living
4. Strategic geographic location as a transit center for goods and passengers in a regional market with a population of 200 million;
5. 100 percent foreign ownership of most categories of business;
6. A highly favorable tax environment, with no corporate, personal, value-added or withholding tax;
7. Sustained low inflation rate of under 2 percent a year;

8. No restrictions on repatriation of capital, profits, or dividends;
9. Cost-efficient, trained, bi-lingual human capital;
10. Full customs duty exemption on capital goods and on goods destined for re-export, raw materials for manufacturing, semi-finished commodities imported for further processing, imports required for development projects. The initial import of capital goods by a manufacturing company is subject to a full customs rebate;
11. GCC Customs Union implemented in 2003;
12. Greater Arab Free Trade Area Agreement by 2005;
13. Modern high standard of living with a cosmopolitan family atmosphere;
14. A world class international airport and regional air traffic hub;
15. Causeway connection, through the King Fahad Causeway to Saudi Arabia, the largest single market in the region;
16. Design of causeway link to Qatar currently underway;
17. Mature legal and administrative infrastructure; and
18. A “one-stop” facility responsible for all the information and application processing needs of the investor.

The Economic Development Board (“EDB”) has identified six economic sectors where investment is most lucrative and promising:

1. Education (Bentley College, Darden Business School, DePaul University, and New York Institute of Technology; currently working to bring the Monterey International Institute).

2. Healthcare (Joslin Diabetes Center, working currently with Johns Hopkins)
3. Manufacturing (Shaw International, Shaw-Nass-Middle East, and different other names.)
4. Information & technology (IBM, UNISSYS, Microsoft, Oracle, etc.)
5. Tourism (Ritz Carlton, Hyatt and Four Seasons under construction)
Bahrain receives 6 million tourists every year. Most of them come through the causeway with Saudi Arabia. The average stay of tourists is two nights. The occupancy rate is always high.
6. Service, in general (KPMG, Arthur Anderson, Deloitte & Touche, Booz Allen, etc.)
7. Financial service (Citibank, Merrill Lynch)

We believe in Bahrain that the government has done a good job but that the private sector will do a better job. The above-referenced economic clusters are open for the private sector for investment. However, at the same time, we are also privatizing certain sectors of the economy, such as electric power. We have already privatized the municipality and the privatization of the ports is on its way.

Like the U.S. we believe that the pillars of success are capitalism, individualism, and democracy.

Thank you.