

Speech Dr. Hassan Fahro, Bahrain News Agency,

Under the Patronage of HM King Hamad, Bahraini-German Economic Forum Organised

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Manama, March 17. (BNA) Under the patronage of His Majesty King Hamad bin Isa Al Khalifa and in the presence of the former German Chancellor Gerhard Schröder, the Bahraini German Economic Forum was organised yesterday at the Bahrain International Exhibitions and Conventions Centre.

During the inaugural session, Minister of Industry & Commerce Dr. Hassan A. Fakhro delivered the following speech:

Excellency Chancellor Schröder, Excellencies, Ladies & Gentlemen, On behalf of his Majesty the King who also is the patron of this Economic Forum and the Government, it is an honour for me to welcome you and your delegation, Sir, to our country and to this workshop, which aims at progressing the trade and business relationship between our respective private sectors. But first let me start by wishing you a pleasant and fruitful stay in Bahrain, and also welcome the representatives of the Bahrain private sector to this workshop.

Bahrain has a long history of trade with Federal Republic of Germany, which today remains as one of our most important trading partners, with the EU as a block accounting for the bulk of our non-oil exports and imports. I would expect that completion of the proposed GCC-EU Free Trade Agreement would add a further dimension to our trade, and would compliment the FTA, which Bahrain has already signed with the United States. However, in advance of a conclusion to the protracted negotiations, the trade and investment relationship was enhanced by the signing of our Bi-lateral Investment Treaty (BITS) in February 2007. Nevertheless, trade between Germany and the Middle East and North Africa (MENA) as a whole, and including trade between Bahrain and German has weakened over this past year. No doubt due in no small measure to the world economic crisis.

It is my view that increasing the number of official and private sector visits, such as your visit here today, will have a positive impact on trade exchange.

I would like to offer a word of tribute here to the **Bahrain German Friendship Society**, and to our respective Embassies for the work which they continue to do in deepening our relationship at all levels and in all aspects.

Events such as the Arab-German Family Business Summit, which was held in Bahrain in October 2009 and the German Near and Middle East Association (NUMOV) Business Round Table which was also held in Bahrain in October 2009, also serve to highlight opportunities for joint ventures and investment opportunities, and to spread a better understanding of regulatory, trade, economic policies and other issues which are important to fostering cooperation and a higher level of joint activity. Germany is a recognized leader in renewable energy technology, and has achieved remarkable progress in increasing the contribution of renewable energy to total energy consumption.

Bahrain also aspires to develop its capability in this regard to replace the depleting fossil fuels, and in line with its clean environment policies, and there for there are areas for joint cooperation in this regard, in particular in terms of solar energy. I would add that the whole area of renewable energy is of particular interest and concern to His Majesty King Hamad bin

Isa Al-Khalifa, and his esteemed Government.

Germany also plays a continuing, pivotal role in Bahrain's growing Exhibition & Convention Industry, and with a number of cooperative projects, such as those organized by Nurnberg Global Fairs in cooperation with the Bahrain Convention and Exhibition Centre and others. There are many business opportunities in Bahrain, in practically every sector, with virtually no sector in which foreign investors are not at liberty to participate.

The Bahrain Government is striving through Vision 2030 and the ongoing economic reform agenda, to make Bahrain the investment centre of choice for commercial and industrial investors who would like to access the huge potential of the Middle East market. Our central position, excellent political relations, communications and commercial and industrial infrastructure, makes Bahrain the ideal choice as an operational base in the region. Bahrain is also becoming a major tourist destination on the international circuit, building on our reputation as the destination of choice for GCC tourists.

Tourism has been identified as one of the main economic development clusters aimed at progressing the Kingdom to a knowledge base. The Formula One facility has been a real shot in the arm in this respect, and there are many high profile tourism related construction projects which are basically changing the Bahrain landscape. I am also happy to say that Bahrain has largely been insulated from the effects of the financial crisis, which has had such a devastating effect on the economies of many countries indeed visually the whole world, and indeed particularly on one of our neighbours.

In order to ensure that our commercial infrastructure is attractive to investors, the Ministry of Industry and Commerce is making every effort, to create the most business friendly environment, and if the Heritage Foundation's high placing of Bahrain in its Index of Economic Freedom, as being number one in the Middle East, is any measure of our achievements, then I believe that we must be heading in the right direction. Along the way Bahrain has also ensured that our infrastructure is cutting-edge, and demand driven.

In this way we have been able to place our resources exactly where the market has needed it, and today our roads, air and sea ports, and industrial areas infrastructure, is amongst the best in the region, and complimented by our WTO membership. I believe that Bahrain and Germany have a lot to offer each other, we know each other well and have a mutual respect gained over decades of commercial and social interaction. There could be no better time for German companies to look at the Middle East region indeed the MENA region as a whole, for their growth prospects against the backdrop of shrinking global trade, particularly considering the substantial domestic demand in Arab countries, in particular for manufactured products, there is obviously an excellent business case for increased Arab-German cooperation, and the potential for German exporters to increase the size of their market share in Arab markets. Bahrain is the ideal choice as a location for a Middle East presence.

My Ministry, regularly profiles potential projects for new investment. Projects, if you will, that at a high level, have been identified as fitting in with current industrial policy and resource considerations. These opportunities occur in practically all sectors, from food production to plastics, and we will be more than happy to share these with you I sincerely hope that your visit here, and this workshop, will act as a catalyst for the development of new joint ventures between our respective private sectors, and we look forward to being able to, in some way, facilitate such engagement.

I would like to thank you again for the visit, and hope that this will be only one of many. We have a presentation for you, which I believe provides a good backdrop to our discussions, and explains more comprehensively, the economic, business and industrial environment in Bahrain, as well as a short film which highlights our Salman Industrial City. In addition our colleagues from the Economic Development Board and the Bahrain Central Bank are with us this morning, and will also make a presentation.

More importantly, we are here to do business, and with that in mind, I believe that this workshop will be a good venue to explore possibilities and build private sector relationships.

Thank You for sharing this happy occasion with us.

Central Bank of Bahrain Governor Rasheed M. Al-Maraj also delivered the following statement: Your Excellency Mr. Schröder, Distinguished Guests, Ladies and Gentlemen: On behalf of the Central Bank of Bahrain, it gives me great pleasure to welcome you to Bahrain and to have this opportunity to discuss matters of common interest between Germany and Bahrain.

Bahrain's economy is the most diversified of those in the GCC, with tourism, aluminium production and financial services playing a very important part, and with oil production and processing accounting for less than one quarter of our GDP. By contrast, our financial sector accounts for over 26 percent of our GDP. As I am fond of saying, in Bahrain financial services are our oil.

We have licensed 412 financial institutions, including 140 banks and 177 insurance companies. Many are branches or offices of major financial institutions. Banking assets stood at \$221.8 billion by the end of last year.

We are also an important centre for the fund management industry with almost \$14 billion under management, a figure that continues to grow. Although our domestic market is small, many of the banks, insurers and asset management firms located in Bahrain use their presence as a hub from which to tap into the enormous opportunities that exist in both the GCC and the wider Middle East. These firms also tell us that they are attracted by the maturity and efficiency of our financial markets, and by our comprehensive and transparent regulatory framework.

The Central Bank of Bahrain is the single regulator for the financial services sector. We are the only central bank in the region with responsibility for regulating all banking, capital markets, fund management and insurance business under one roof. We have a policy of following international standards very closely, and in the area of Islamic finance, we have been a pioneer in developing prudential standards.

We were the first regulator in the world to issue a comprehensive set of regulations tailored to the needs of Islamic financial institutions. Since licensing Bahrain Islamic Bank in 1978, we have become one of the world's primary locations for Islamic finance. We host the largest concentration of Islamic banks in the world – currently they number 27 – as well as many Islamic insurance and fund management businesses. Important standard setting bodies for Islamic finance, such as the Accounting and Auditing Organisation for Islamic Financial Institutions and the International Islamic Financial Market, are located in Bahrain.

The Bahrain Institute of Banking and Finance is one of the pioneers in developing courses on Islamic finance to develop a pool of trained professionals with the skills the industry requires. In recent years the financial numbers involved in Islamic finance have begun to reach significant levels. Although estimates of the global scale of the industry vary, Shari'a compliant funds potentially total \$400 billion. Islamic financial institutions now operate in over 70 countries and their annualized growth rates have averaged around 15 percent over the past decade.

In Bahrain the growth rate has been even higher, averaging closer to 20 percent per year. Of course, it would not be possible for me to conclude this overview of Bahrain's financial system without making some remarks on the impact of the global financial crisis. In general, the financial crisis has had only a modest impact on our financial system.

Throughout the difficult period of 2008 and 2009, our financial markets continued to function normally and the Government of Bahrain did not consider it necessary to take some of the extraordinary measures, such as recapitalization of banks and providing blanket guarantees, that have been adopted elsewhere.

Our real estate sector has remained relatively stable, especially as levels of speculative activity were comparatively low prior to the crisis. To the extent that the economic cycle has resulted in rising credit defaults, the high levels of capital adequacy of our banks has allowed them to absorb any losses and the banking system remains on a very solid footing. Contrary to the international trend, employment in our financial services industry has also continued to rise in recent years.

The latest figures show that employment in the financial sector grew by 1.5 percent in 2009, with much of the growth accounted for by the insurance and fund management sectors. This positive development underscores our strategy of diversifying our financial sector, so that the non-bank sectors will become at least as important as banking in the years ahead.

On that note, let me conclude and wish you a very successful and enjoyable visit to Bahrain.
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