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Bahrain eyes Malaysia as investment partner

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BAHRAIN's new Cabinet was sworn in on June 2 with a pledge to encourage the country's private sector into spearheading its economic development programmes, particularly through investments in oil explorations.

So barely two weeks after becoming Bahrain's Finance and National Economy Minister, Mr Abdulla Hassan Saif was in Malaysia recently in an attempt to attract as much foreign investments to Bahrain as possible. Bahrain faces a tough challenge in its economic reforms following a sharp decline in state revenues from exports of refined petroleum due to currently depressed prices.

Economic growth of 3.1 per cent in 1997 was said to have turned into negative growth of 2.7 per cent last year, while gross domestic product dropped from US\$5.3 billion (US\$1 = RM3.80) in 1997 to US\$5.1 billion last year when oil prices collapsed.

Bahrain Prime Minister Sheikh Khalifa bin Salman Al Khalifa had pledged that the new Cabinet will adopt adequate legislations and regulations to step up investments and stimulate new projects implementation.

The Cabinet's new programme will also include, among others, diversifying sources of state revenues by encouraging oil exploration and promoting foreign investments in the sector.

"Our new Government is now looking forward to the next stage of our economic development. We face a highly competitive world economy, characterised by rapid technological development and globalisation.

"In this context, we see the importance of foreign investments for our own economy and for other economies still undergoing development," Abdulla said when he was in Kuala Lumpur recently.

He was accompanied by a group of delegates including the Finance and National Economy Ministry assistant undersecretary for Economic Relations Dr Zakaria Ahmed Hejres, its director of Economic Relations Mohammed Ali Talib, Bahrain Stock Exchange/Economic Planning director Sh. Ahmed Mohammed Al Khalifa and minister's secretary Abdulla Albinali.

Abdulla, who is also Bahrain Central Bank chief, said his country is looking at Malaysia as one of its potential investment partners "with whom we can cooperate for mutual advantage".

"I remember with great pleasure the visit of Malaysian Prime Minister Datuk Seri Dr Mahathir Mohamad to Bahrain when he so graciously accepted an invitation to address the annual Gulf Economic Forum, and the vision he so eloquently outlined at that time," he said.

Dr Mahathir made an official three-day visit to Bahrain in April 1997, during which time he delivered a keynote address at the Gulf Economic Forum.

The forum discussed, among others, the economic reforms, capital markets and attempts to diversify the oil-reliant economies of the Gulf Cooperation Council (GCC).

The GCC countries - Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates - produce about 18 per cent of the world's crude oil and oil exports make up more than two-thirds of their income.

Abdulla also said Bahrain is keen to attract foreign direct investment to support its privatisation programme and other initiatives for industrial development.

This is done by offering an attractive range of policies to foreign investors including 100 per cent foreign ownership, freedom of capital

movement, low interest rates, low inflation and no personal income taxes. Currently, there are no bilateral investments between Malaysia and Bahrain.

To speed up bilateral investments between Malaysia and Bahrain, the two countries recently signed several agreements with Bahrain, including on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion. They also signed an Investment Guarantee Agreement (IGA) to expand and deepen economic and industrial cooperation between both two countries. The agreement hopes to provide a framework to stimulate the flow of investments between the two countries.

The IGA will also serve as a motivator for the private sector to look for investment opportunities in each other's countries. It will facilitate Bahrain investors moves to explore investment opportunities in Malaysia, particularly in the downstream petroleum processing sector.

"The IGA will also encourage Malaysian companies to participate in business opportunities in Bahrain especially in the development of infrastructure projects," Abdulla said.

Under the IGA, investments made by investors of both countries are protected and shall receive treatment which is fair and equitable, not less favourable than that accorded to investments made by investors of any third country.

The agreement will also provide certainties on matters that include expropriation and nationalisation, repatriation of profits in terms of free transfer of income accruing to investments and settlement of investment disputes through the International Centre for Settlement of Investment Disputes.

On another development, Malaysia and Bahrain have agreed to intensify cooperations in Islamic banking and finance.

Bahrain is currently a leading financial centre in the Gulf region. Its presence in Malaysia began when Arig Reinsurance Company, one of the top 73 reinsurers in the world, opened its East Asian regional office in Labuan this year.

To date, there are about 180 financial institutions and more than 100 insurance companies operating in Bahrain.

As Bahrain is an important financial centre in the Gulf and the Arab region, it plays a role in re-channeling some of the capital from the Arab and Gulf states in the Islamic and traditional banking.

Encouraging the movement of capital between both countries, he said Bahrain will soon see the establishment of a US\$1.5-billion Islamic fund in infrastructure development and hopes Malaysia, being a member of the Islamic Development Bank, will utilise this fund.

Other areas of cooperation between both countries include tourism, air traffic, religion and culture.

In an effort to boost tourism between both countries, Abdulla said a dialogue is underway to increase flight frequencies of the respective national carriers - Malaysia Airlines and Gulf Air.

Bilateral trade between Malaysia and Bahrain last year stood at RM210.3 million in favour of Malaysia. Malaysia's exports to Bahrain reached RM132.7 million last year, the bulk of it being palm oil, wood products, furniture, veneers, plywood, paper and paper products.

The country's imports from Bahrain amounted to RM77.6 million, involving aluminium, iron ore and concentrates, manufactured base metal and articles of plastics.

Total trade between Malaysia and Bahrain between January and April stood at RM71.6 million.

Malaysia's exports to Bahrain for the first four months of this year stood at RM27.5 million while imports RM44.1 million.

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