

Across the Middle East and Around the Globe 1anama, P.O. Box 33214, Kingdom of Bahrain Tel.: +973 17231156, Fax.: +973 17243174 Airport: +973 17321306 (24hrs)

BAHRAIN **Part 2:** Going from Strength to Strength

GLOBAL INSIGHT



Good for Business

With the freest economy in the Middle East — higher than France and Germany — Bahrain has enjoyed steady and sustained growth for four decades. The country is still riding high, with huge levels of investment, diverse industries and an extensive energy master plan under way.

Seventy-six years after it made its first oil shipment to Japan, the Kingdom of Bahrain is still going from strength to strength. A modern infrastructure, a tax-free environment and a business-oriented government have all contributed to making the small island one of the most attractive prospects for investment in the region.

Home to some 720,000 people, Bahrain lies at the heart of the Arabian Gulf, and enjoys fast and efficient access to all Middle Eastern markets, by air, sea and road; Saudi Arabia, Qatar and the United Arab Emirates, for example, are all less than an hour and a half away. Bahraini investors can enjoy the benefits of low rents, tax incentives and young, highly skilled workers.

Bahrain was the first Gulf state to discover oil in the 1930s, and its reserves are expected to run out in 10 to 15 years. Oil production has stabilized to around 40,000 barrels per day (bpd). Despite a hugely successful diversification drive, revenues from oil and natural gas still account for 11.1 percent of GDP, with state oil company BAPCO providing 75 percent of government income.

The National Oil and Gas Authority (NOGA) was established in 2005 by royal decree to increase efficiency across the growth and nurtures an open dynamic environment. "The establishment of one single authority has meant a more



private-sector orientation toward what needs to be done, which requires more thinking outside of the box," says Abdul-Hussain Ali Mirza, minister of oil and gas Commerce and Industry would

affairs, and NOGA's chairman. One of NOGA's first moves was to offer four offshore blocks to foreign companies in the offshore exploration sector. "We wanted to create opportunities for all," says Ali Mirza. "Our new Web site allows interested

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> > Abdul-Hussain Ali Mirza, Minister of Oil and Gas Affairs, and Chairman of the National Oil and Gas Authority

parties to conduct tenders online the global trend of eliminating and we received 86 expressions trade tariffs," says Esam Abdulla of interest. In the end, we had Fakhro, chairman. 11 companies submitting bids

A \$1.3 billion modernization for the offshore and onshore and expansion plan is now under way at BAPCO, whose refining

pline," says Ali Mirza.

The Bahrain Chamber of

also like to see more bilateral

trade and has done much to initi-

ate stronger relations with Japan.

"As representatives of the private

sector, we would like to see

increased Japanese involvement

in Bahrain, not only in terms of

trade volume but also following

on the island — JGC, particuthe complete chain from produclarly, has been responsible for tion to refining to marketing," many oil construction projects says Abdulkarim Al-Sayed, while Yokogawa has provided all BAPCO's CEO. "We were the the refinery instruments. NOGA first company in the Gulf to is now looking to make use of produce oil and we continue to Japan's newest technologies. produce. When I joined BAPCO "Japanese companies are very in 1965, people said our oil would professional, with great discirun out in 15 years. This has not been the case."

> The master plan will change the shape of the refinery and significantly enhance its profitability, Al-Sayed says. "We have identified two different technologies aimed at converting low-value heavy hydrocarbons to high value products and the next phase will be to choose the most appropriate one. We may install two state-of-the-art crude distillation units to replace the existing ones and allow our refinery — the oldest in the GCC region — to become more reliable. We are looking for a crude run of 350,000 bpd."

Most of BAPCO's crude (235,000 bpd) comes from Saudi Arabia via pipeline, and the remaining 35,000 from Bahrain's own onshore fields. Increasing capacity to 350,000 would mean replacing the Saudi pipelines, so the company will be giving serious consideration to safety and environmental issues as the pipelines are rerouted away from populated areas. BAPCO is also looking at producing gasoline for the local market, where demand has gone up exponentially in recent years. "Our projection shows that by 2014, we will be able to meet

local demand, with nothing left Its core shareholders are major to export," says Al-Sayed. "To GCC institutions, which include two Bahrain-owned pension maintain the current capacity, we would need to build another funds, and several prominent investment, merchant and complant or import after that date." Towiden its expertise, BAPCO mercial banks.

has been collaborating with the Japan Cooperation Center Petroleum, which has excellent training facilities for refinery processes and plant operations. "We have been sending trainees there for a number of years now and it has been working Mallis, CEO. "The combination extremely well," Al-Sayed says. In the meantime, Bahrain is regarded as the best-regulated

financial center in the region, with financial services making interesting partnership." up 27.6 percent of its GDP. There are more than 400 licensed ticated country that boasts 33 financial institutions and 10,000 people working in the sector.

Securities and Investment Company BSC (Sico), a leading regional and world-class tourism Bahrain-based financial institution and the largest broker on the Bahrain Stock Exchange, provides a select range of investment banking services to clients across the GCC. Activities include asset management, brokerage, market making, corporate finance, and custody and megaresorts — pundits have administration, all of which are underpinned by an independent, value-added research capability. tourists by 2010.

Grow with us

One of Bahrain's leading investment houses, Securities & Investment Company (SICO) is the first name in asset management and has established a proven track record of performance by specializing in equity investments primarily in the GCC capital markets. With over \$700 million of assets under our management, we service a range of investors through diversified products. We are also a leading provider of corporate finance services, and have successfully handled a number of high-profile IPOs, private placements, bonds and rights issues. Our brokerage unit consistently handles large transactions breaking numerous records where our market-making division remains the only recognized market-maker on the Bahrain Stock Exchange.

Grand Hyatt, as well as three

forecast a 6.7 percent increase

in the number of international



"As well as having a facilitat-The Ministry of Information is appealing to the high-end market ing regulatory system, and close to fulfill this target, selecting proximity to Kuwait and Saudi specialist tour operators and Arabia, Bahrain is constructtravel writers from around the ing itself as the regional center globe to come and enjoy the for Islamic banking and asset experience while maximizing management," says Anthony the county's potential for meetings, incentives, conferences of Japanese know-how, access to and events, and also the Formula Japanese markets plus energy One Grand Prix. "Within five and capital from this part of the world therefore makes for a very years, we would like to double tourism's contribution to GDP Unsurprisingly for a sophisto 25 percent," says Minister of Information Jihad Bukamal. islands, a liberal lifestyle and "We have been a service center a rich heritage, Bahrain also for a long time now, and have a nice cosmopolitan society with offers tremendous potential as a excellent tourism infrastructure and possibilities, plus we provide destination, attracting upward of 4.5 million visitors a year. As value for money. Our key advantage, though, is that where other more prestigious resort projects countries focus on buildings, we come onstream — there are curfocus on people." Although most rently 20 new projects under construction, including Kempinski, tourism comes from the GCC, the Sofitel, Four Seasons and the ministry is stepping up its mar-

keting in the Americas, Europe

and Japan. "In this last area, we

Jihad Bukamal, Minister of Information

have not been doing enough, but we strongly believe the Japanese contribute to a sizeable chunk of the world's tourism ratio."

Visitors are assured "a sense of place" at Bahrain Duty Free. The company, with a presence at the airport, in-flight and at the port has focused on including local products, features and hospitality as part of its retail experience. "Our best reward is reflected in the sales and the level of customer satisfaction," says GM Steve O'Connor.

Mohammed Jaffer Mohiuddin, GM of National Car Rental Bahrain, is also focused on customer satisfaction. "We don't just provide a car that moves you from A to B, we provide a full range of services to enhance the customer's experience," he says. "NCBR is growing within a niche segment where professionalism is recognized as the main motivator for customers."

Written by Nicola Thornton

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blocks, which demonstrates the level of confidence that exists capacity is currently 270,000 sector and fuel further economic in Bahrain. It was very success- bpd. The strongest Bahraini ful." Bahrain's links with Japan company, BAPCO is working approach to business and a more date back to 1934, when Japan on a master plan for the next 10 received the country's first oil years to ensure its continued shipment. Since then, Japanese success. "BAPCO is an intecompanies have been very active grated oil company, working on

Tel: (+973) 17 515000, Fax: (+973) 17 514000, Brokers direct switchboard: (+973) 17 515200,

CELEBRATING 75 YEARS OF THE DISCOVERY OIL IN BAHRAIN

The year 2007 was a year of achievements for Bapco and the Kingdom of Bahrain - foremost of which is the successful completion of one of the largest projects in Bapco's history, the construction of the Low Sulphur Diesel Production (LSDP) complex, a significant milestone in Bapco's ongoing Strategic nvestment Programme

The project, at a total cost of US\$725 million, produces Low and Ultra-Low Sulphur Diesel, down to 10 ppm, to meet the most stringent market specifications.

Bahrain Bid Round 2007, launched last year, has attracted the required technology and investment from international oil companies (IOCs) to explore Bahrain offshore areas and Bahrain field development, with the signing of EPSA with two renowned IOCs for three offshore blocks.

It is also the year when Bapco achieved the distinction of being the first company outside North America to receive the prestigious R.W. Campbell Award, the National Safety Council's international award for business excellence through Safety, Health and Environment (SH&E) management.

We look forward to another great year.



نتبركق زفكالبديرين شه THE BAHRAIN PETROLEUM COMPANY B.S.C. (CLOSED) International Sales: Tel.: +973 1775 3237 Fax: +973 1775 3230 email: ims@bapco.net

Kingdom of Bahrain Ministry of Information Tourism Affairs PO Box 26613, Manama Tel:+973 1720 1230 Fax: +973 1722 9757





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