'Bahrain to invest

VL Srinivasan
Chief Reporter

Bahrain, which has positioned itself as a regional business, financial and tourism hub, needs to invest more to compete with Dubai, a highly acclaimed financial expert said.

In an exclusive interview with *DT,* the US-based International Institute of Management (IIM) President Med Jones, who accurately predicted the US economic crisis of 2008, was in Bahrain recently, said that the global recovery would help in the increase in oil prices and have a positive impact on the GCC region. Following is the first of the three-part series of the interview. Excerpts:

Q: Can you give an overall picture and outlook for the GCC region?

A: Last year (2010) was challenging for the GCC and especially for UAE, but it was nevertheless a year of economic recovery.

I estimate 2010 growth at about 3-4 per cent and expect a growth rate of 4-5 per cent for 2011 as a whole. Growth in the GCC in 2011 will be driven by energy, infrastructure and private sector investments and trading.

A global recovery will help to raise the oil prices, thus having positive impact on the region. However, oil production in most of the GCC is unlikely to increase significantly, as they are bound by OPEC quotas.

The two exceptions are Oman and Bahrain who are non-members. Bahrain is investing in its production capacity and can get benefits from higher production. Both countries have limited oil reserves and will be focusing on diversification of economic development. Bahrain has

positioned itself as a regional financial, business and tourism hub, but needs to invest more to compete with Dubai.

The financial sector, which contributes 25 per cent of GDP suffered a downturn during the crisis and is still on way the way to full recovery. However, confidence should pick up and we expect the private sector to drive much of the recovery.

On the labour front, Bahraini's nationals hold about 15-20 per cent of private-sector jobs versus about 80 per cent of public-sector jobs, but this imbalance will persist amid continuing mismatches in skills and type or quality of labour.

An education policy to develop entrepreneurship and small enterprises will serve to lift the productivity of the economy and the standards of living of its population. Also, Bahrain's policies as business friendly destination by allowing workers to move between companies without the employer's consent will improve its position as a competitive regional services hub.

I expect Saudi Arabia's economic growth to accelerate to 4 per cent in 2011 driven by the growth in capital investments in infrastructure and hydrocarbon sector, both downstream and upstream, as well as by the development and diversification related spending. About US$500bn is earmarked for infrastructure investments by 2020.

Qatar's oil and gas sectors are the largest contributors to its GDP, accounting for a total 50% in 2010. Government services made up about 11 per cent of GDP, the construction sector accounted for about10 per cent and manufacturing made up five per cent.

> **"Growth in the GCC in 2011 will be driven by energy, infrastructure and private investments and trading."**

International Institute of Management (IIM) President Med Jones.

Heavy investment in liquefied natural gas (LNG) production capacity and increases in LNG production over the last couple of years have been the main drivers of robust growth. Hosting World Cup in 2022 is a strategic event that can boost the inspiration and perspiration in Qatar's economy and its standing in the world.

Kuwait's oil constitutes more than 90 per cent of its total revenues. The US$100bn plan approved in February 2010 is a first step towards positioning Kuwait as a trade and financial hub. Though they are a bit late behind UAE and Bahrain, their rich oil resources can help them quantum leap the competition if they execute the plan properly. Their development budget can benefit from higher oil prices and at the same time will be vulnerable to oil-price shocks. Diversification projects should be a more urgent priority.

The achievement of their goals can be delayed because of political issues and budget waste. Kuwait Stock Exchange (KSE) needs better governance in order to boost trust and growth in private sector investments and businesses.

When it comes to the UAE, the GDP of Abu Dhabi is highly dependent on hydrocarbon sector which makes about 60 per cent. According to Abu Dhabi's development plans, their goal is to increase the GDP contribution of its non-oil sector to 64 per cent by 2030.

Investment in non-oil projects will be critical to achieving this goal. Several projects were either delayed or cancelled in 2010. As for Dubai, I expect the real estate sector to decline another 20-30 per cent.

The disclosed Dubai and its state-owned companies carry about US$130bn of debt, of which US$50bn is owed by Dubai World and US$30bn by Dubai Government, ICD and Dubai Holding carry the remaining US$50bn. The government allocated about 20 percent of the budget to complete previously approved infrastructure projects. Dubai faces about US$30bn of maturities in 2011-12, the agreement to restructure part of Dubai's debt has allowed Dubai to regain access to international markets and eased liquidity pressures.

In the medium term, Dubai will focus on debt management, not allowing it to support strong economic growth. I would not be surprised if it issue bonds in the midterm. The economic recovery will be driven by the logistics, retail and hospitality sectors. I expect US interest rates to remain low for the next two years, together with the Fed's decision to proceed with further quantitative easing, which will improve the attractiveness of GCC bonds to investors looking for yield.

Q: Dubai was hit the hardest by the global financial crisis, how can they recover and how long it will take them?

A: When I was visiting Dubai last month, I saw the occupancy of the buildings at about 20-30 per cent. With more buildings being completed and more inventories coming to the market, the supply and demand mismatch will result in huge downward pressure on the real estate

prices. The continuous experimentation with labor and business laws and the rising cost of doing business in Dubai does not help the economic recovery.

The best strategy to attract strong capital inflow, accelerate the recovery, reverse the real estate decline, and supercharge the economy is to implement several new policies at the same time, (1) reduce the restrictions on foreign labor and movements, (2) reduce business incorporations costs and cost of doing business, (3) Grant investors and rich expats permanent residence cards. Investors and expats are more likely to invest what they earn in the place that they and their families can live in, (4) relax stu-

QUOTE OF THE DAY!

"It kind of irritates me that I'm seen as this pretty face. People also say I'm too thin. The truth is, pretty people aren't as accepted as other people. It comes with all these stigmas."

MISCHA BARTON, 1986

needs more'

dent and tourist visa requirements, (5) Invest further in the quality of the financial institutions and improve governance standards and transparency.

The DIFC and the establishment of Hawkamah (governance) institute is a good step in that direction, but requires more support and implementations, (6) Create a government bank to lend to the distressed assets and real estate development at very low rate to reduce bankruptcies and if those investors fail to pay their loans, the property becomes owned by the government at a bargain and (7) Do not participate or get dragged into regional political conflicts that can become actual conflicts that threaten the economic development.

As for the recovery timeframe, the faster they implement these policies the faster they will recover, if they wait, they will lose to other economies.

Enjoy a fantastic getaway of football mania in Qatar

Packages from Bahrain

	5 Star		4 Star		3 Star	
	Single	Twin Share	Single	Twin Share	Single	Twin Share
1 Night / 2 Days	1110	660	790	515	625	435
2 Nights / 3 Days	1860	1035	1220	745	890	585
3 Nights / 4 Days	2610	1410	1650	975	1155	735
4 Nights / 5 Days	3360	1785	2080	1205	1420	885
5 Nights / 6 Days	4110	2160	2510	1435	1685	1035

Disclaimer:
Football fans from Asian countries and Australia can attend the Asian cup 2011 by applying for a visa through the Ministry of Interior Website on the following link:
www.gov.qa/wps/portal/services/asiancupvisa/?changeLanguage=en

• Visa applicants must carry a return ticket to the point of origin and they must possess the amount of QR 5000 or equivalent or a valid major Credit Card. These requirements will be strictly enforced by the Airport Authorities upon arrival. Failure to meet any of the above requirements will result in denial of entry to the country.

Remarks
• Rates mentioned are for per person in Qatari Riyals
• Above rates include return economy class air ticktes from Bahrain - Doha - Bahrain on Qatar Airways
• Accommodation & return airport transfers
• Excluding Airline taxes, Visa fee etc.
• Match tickets can be arranged upon request
• Rates are subject to change and availability
• Rates are valid till 31st January 2011

ريجنسي للسفريات والسياحة
REGENCY TRAVEL & TOURS
For more inquiries, visit or contact us:
Head office: Shk Suhaim Bin Hamad St., Doha, Qatar
Tel No: 44344444 Fax No: 44341037 / 44478296

REGENCY Group Holding

WORLD travel AWARDS 2010 WINNER World's Leading Travel Agency
WORLD travel AWARDS 2010 WINNER Middle East's Leading Travel Agency
Open 24 Hours

ISO 9001 : 2008 IATA ACCREDITED AGENT flygreen

Branches
Al Asmakh: Tel: 44315007 Fax: 44315005 | Industrial: Tel: 44604953 Fax: 44604938 | Mesaieed: Tel: 44771900 Fax: 44772014 | Lulu Hypermarket: Tel: 44550851 Fax: 44672141 | Q-Post: Tel: 44831486 Fax: 44831480 | Al Asmakh Mall: Tel: 44325381 Fax: 44364340 | Al Rayyan: Tel: 44820675 Fax: 44806036 | Al Wakra: Tel: 44647725 Fax: 44641145 | Al Gharafa: Tel: 44869610 Fax: 44118955 | Ras Laffan: Tel: 44748837 Fax: 44748838 | Villagio Mall: Tel: 44135531 | Intercontinental Hotel: Tel: 44484959 Fax: 44484860 | Landmark: Tel: 44217623

E-mail: tours@regencyholidays.com
www.regencyholidays.com

COME TO QATAR AND SUPPORT YOUR TEAM!

AFC Asian Cup QATAR 2011

AFC Asian Cup Qatar 2011™, 7 – 29 January

This January take a short break to Qatar and help cheer your team to victory in the AFC Asian Cup Qatar 2011™. Purchase your tickets online at www.afcasiancup.com or at official AFC Asian Cup tickets outlets.

Bahrain Ticket Outlets • Seef Mall • City Centre Mall

Don't Miss

Bahrain vs Korea Republic - 10 January
Bahrain vs India - 14 January
Bahrain vs Australia - 18 January

BUY YOUR TICKETS NOW!