

**VISIT BY PRESIDENT NELSON MANDELA TO  
THE STATE OF BAHRAIN**

**8 APRIL 1999**

# **CONTENTS**

	<i>Page</i>
<b>A.    <i>Bahrain in Brief</i></b>	<b>3</b>
<b>B.    <i>Political Background</i></b>	<b>4</b>
1.    Historical Background	4
2.    Constitution and Institutions	5
3.    Political Forces	6
4.    Main Political Figures	6
<b>C.    <i>International Relations</i></b>	<b>7</b>
1.    Relations with Iran	7
2.    Relations with Qatar	7
3.    Relations with the United States	8
<b>D.    <i>Defence</i></b>	<b>9</b>
<b>E.    <i>Economy</i></b>	<b>10</b>
1.    Introduction	10
2.    Economic policy	10
3.    Economic performance	11
<b>F.    <i>Relations with South Africa</i></b>	<b>12</b>
1.    Introduction	12
2.    Chronology of important events	12
3.    Bilateral agreements	13
4.    Bilateral investments	13
5.    Trade relations	13
6.    Export of military equipment	14
7.    Tourism	14
8.    The South African community in Bahrain	14



## A. BAHRAIN IN BRIEF

### Government

Official Name	State of Bahrain
Head of State	Amir Shaikh Hamad bin Isa Al-Khalifa
Main Political Parties	Political parties are not permitted

### Demography

Land Area	703.6 sq.km
Population	630,000 (1997)
Religion	Islam is the state religion and is practised by 85% of the population. Of these, 60% are Shia.
Language	Arabic, Farsi and Urdu. English is widely understood and commonly used in business

### Economy

Currency	The Bahrain Dinar (BD) is linked with the US Dollar at US\$1.00 = Bd0.377. The Dinar is divided into 1,000 Fils
GDP	US\$5.1bn (1996)
GDP growth	3.8% (1997)
GDP per capita	US\$8,561 (1996)
Inflation	0.2% (1997)

## A. POLITICAL BACKGROUND

### 1. Historical Background

- 1.1. The State of Bahrain is a low-lying archipelago of about 33 islands (including the disputed Hawar group) off the coast of Saudi Arabia. Bahrain's ruling family, the Al-Khalifa, arrived in the mid-18<sup>th</sup> century from Kuwait where they had helped their distant relatives, the Al-Sabah, come to power. In the 19<sup>th</sup> century Bahrain became the British empire's political headquarters in the Gulf as Britain stepped up security there in order to maintain its trade and supply routes to the Indian subcontinent. Britain's announcement in 1968 that it would withdraw all forces from the Gulf triggered concerns that Iran would invoke a long-standing claim to the islands. However, the Shah of Iran was persuaded to accept UN mediation and the subsequent UN decision that Bahrain be recognised as a sovereign state. On 5 August 1971, Bahrain declared its independence and became a member of the UN and the Arab League.
- 1.2. With the withdrawal of the British, Shaikh Isa bin Salman Al-Khalifa assumed the title of Amir while his brother, Shaikh Khalifa bin Salman Al-Khalifa, became Prime Minister. In 1972 a Constituent Assembly was formed and a constitution was published in June 1973 allowing for the establishment of political parties and independent trade unions. However, Government refusal to allow trade unions or strikes provoked industrial unrest, which threatened to destabilise the oil industry. The regime responded by force and in October 1974 pushed the State Security Law through the Assembly, granting the security forces widespread powers to deal with subversion. The move prompted a confrontation between the Government and the Assembly which culminated in the Amir dissolving the Assembly on 26 August 1975.
- 1.3. The impasse between the Amir and the Assembly continued until December 1992 when a petition by six prominent personalities and 300 professionals called on the Amir to re-instate the constitution, restore the elected National Assembly, rescind the 1974 State Security Law and pardon all political prisoners and exiles. In response, the Amir announced the establishment of a new, 30-member, government-appointed Consultative Council to comment and advise on legislation already passed by the government.

- 1.4. The discrepancy between the demands of the petition and the response created an atmosphere of simmering discontent, which erupted into a wave of anti-government protests in December 1994. In late August 1995 discussions were held in secret between the jailed leaders and the then security chief, a UK citizen, Ian Henderson. As a result, the government agreed to release opposition leaders and the majority of the detainees in phases in return for an end to demonstrations. With the Government's refusal to release all detainees, violence escalated again. In the ensuing months a series of small bomb attacks occurred, which caused substantial material damage. While violence and unrest have subsided by the beginning of 1999, several prominent opposition figures remained in detention.
- 1.5. Shaikh Isa bin Salman Al-Khalifa died in Manama on 6 March 1999 after suffering a heart attack and was immediately succeeded as Amir by his eldest son, Shaikh Hamad. Initial indications are that he will now endeavour to act more decisively to commence with a dialogue with opposition members.

## 2. **Constitution and Institutions**

- 2.1. The dissolution of the National Assembly and the abrogation of the clauses of the constitution relating to civil liberties, political parties and trade unions have left Bahrain controlled directly by the executive and without any real legislative authority delegated to other institutions. In late 1996 the Consultative Council was granted the right to comment on government policy, but such subjects as internal security and foreign relations remain off-limits. The size of the assembly membership was increased to 40 but, without any legislative power, the council can only rubber-stamp decisions already taken by the executive.
- 2.2. The Al-Khalifa clan continues to dominate the executive, and politically sensitive ministries such as those of the interior, defence and foreign affairs remain in the family's hands. In 1997 the Amir established a National Guard, similar to Saudi Arabia's, to augment the police and the army and to reinforce the authority of the ruling family. The Government has maintained its authority over the judiciary by trying suspects in the higher court of appeal, sitting as a state security court whose decisions are not subject to appeal. International pressure has had some effect: since mid-1997, sentences issued by the court have been comparatively light.

### 3. Political Forces

- 3.1. Since the dissolution of the National Assembly in 1975, the Government has faced growing internal opposition. It has consistently blamed the unrest on the sectarian divide between the Sunni and Shia communities. Many Shia are of Iranian origin and, since a failed Shia coup attempt in 1981, the government has tried to portray the community as a potential fifth column, although recent moves by Iran to improve relations with Bahrain are making this increasingly difficult. Shias are barred from the military, the security forces and senior positions in politically sensitive government departments. With the power structure dominated by the Al-Khalifa and the main Sunni merchant families, the Government has played on Sunni anxieties arising from their minority status. As a result, opposition groups, led by the Bahrain Freedom Movement, have worked hard to play down the religious divide and to portray themselves as working for the benefit of all Bahrainis.

### 4. Main Political Figures

#### ***Hamad bin Isa Al-Khalifa:***

Amir since March 1999 when he succeeded his late father, Isa bin Salman. He is known for his moderate approach to the opposition. Has engaged in tentative dialogue with the exiled opposition, though to no effect. Bitter personal and political rival of the Prime Minister.

#### ***Khalifa bin Salman Al-Khalifa:***

Prime Minister and brother of the former Amir. Extremely influential figure responsible for much of the day-to-day running of the country. Believes that the political opposition is best combatted through a hardline approach coupled with the creation of more jobs. Probably has designs on the throne, though there are doubts about his health.

#### ***Khaled bin Mohamed Al-Khalifa:***

Recently-appointed head of the Security and Intelligence Service (SIS) which he inherited from the long-serving Scot, Ian Henderson. Shaikh Khaled is an ally of the Amir and favours a more moderate approach to the opposition. However, he lacks the natural authority of his predecessor and may find that some elements of the SIS are difficult to control.

## **B. INTERNATIONAL RELATIONS**

### **1. Relations with Iran**

- 1.1. Bahrain's size, geographical location and the Sunni-Shia divide have made the government acutely sensitive to developments in its larger neighbours, most especially Saudi Arabia and Iran. Traditionally, relations with Iran have been turbulent, although the Shah abandoned Iran's historical claim to Bahrain and Ayatollah Khomeini dismissed similar claims following the Iranian revolution of 1979. Nonetheless, since the revolution, Iran has been accused of fomenting trouble among the Bahraini Shia, and in May 1996, despite a lack of evidence – the Government openly accused Iran of backing a Shia attempt to overthrow the Government.
- 1.2. However, Bahrain's tendency to follow Saudi Arabia's lead on international relations is likely to have an impact on its own relationship with Iran. The election of the moderate Mohamed Khatami to the Iranian presidency in May 1997 opened the door to improved relations between Saudi Arabia and Iran and by mid-1998 both countries were cautiously exploring the possibility of a rapprochement. A visit by the former Iranian President Hashemi Rafsanjani, to Bahrain in May 1998 is believed to have been at the behest of Saudi Arabia. Mr Rafsanjani was received in Manama by the Amir, the Crown Prince and the Prime Minister.
- 1.3. In December 1998, diplomatic relations were normalised when Mohamed Jalal Firouz presented his credentials to Bahraini Foreign Minister Shaikh Mohamed bin Mubarak Al-Khalifa as Iran's first Ambassador to Manama in 30 months. This was followed a few days later by the appointment of Salman Abdulwahab Al-Sabbagh as Bahrain's Ambassador to Tehran. He presented his credentials to President Khatami on 26 January 1999.

### **2. Relations with Qatar**

- 2.1. A dispute with neighbouring Qatar over ownership of the Hawar islands off the west coast of Qatar remains a major source of tension between the two Gulf states. Tension rose in 1991 after Qatar lodged a claim



against Bahrain's de jure control of the islands at the International Court of Justice (ICJ) in The Hague. Bahrain responded by contesting ICJ jurisdiction. The ICJ says it is competent to rule on the dispute, but Bahrain has vowed not to accept an unfavourable decision. Relations deteriorated further following Bahrain's support for the deposed Amir of Qatar, Khalifa bin Hamad Al-Thani. In retaliation, Qatar broadcast an interview with Bahrain opposition leaders, which was highly critical of the Manama Government.

### 3. Relations with the United States

- 3.1. As with Saudi Arabia, Bahrain enjoys close relations with the US. The US Navy's Fifth Fleet, which patrols the Gulf, has its headquarters in Bahrain and the two countries signed a defence accord in 1991. However, the US's hardline policy towards Iraq has caused some tension in its relations with Bahrain. Under pressure from Saudi Arabia, Bahrain chose not to support the US's proposal to use air strikes to force Iraqi compliance with UN weapon inspectors in February 1998. Bahrain also hinted that it might not be willing to let US warplanes use its territory in future. However, tension was eased considerably when US President Bill Clinton invited Shaikh Isa to Washington for talks in May 1998.

C. DEFENCE

1. According to the London-based International Institute for Strategic Studies, Bahrain's active armed forces totalled 11,000 at the end of 1997, of whom 8,500 were in the army, 1,000 in the navy and 1,500 in the air force. These were supplemented by about 9,850 paramilitary personnel, of whom 9,000 were in the police, 600 in the national guard and 250 in the coastguard.
2. The army possessed 106 M-60 A3 main battle tanks and around 340 armoured personnel carriers; the air force 24 combat aircraft and 24 armed helicopters; and the navy 13 warships.

## D. THE ECONOMY

### 1. Introduction

- 1.1. Owing to its strategic location, Bahrain has a long history as a trading hub, as well as being an important pearl-fishing and agricultural centre. The collapse of the world pearl market coincided with the discovery of oil in 1932, enabling Bahrain to become the first state on the Arab side of the Gulf to exploit its hydrocarbon resources. However, Bahrain had a barely significant quantity of oil and was therefore soon forced to expand its economic base, which consequently has traditionally been more developed and diversified than that of other states in the Gulf Co-operation Council (GCC).

### 2. Economic Policy

- 2.1. While other Gulf states have sufficient oil revenue to enable their citizens to enter business or the public service, Bahrain's limited oil and gas reserves have made it the only GCC state with an indigenous working class. Officially, unemployment is running at under 2% of the labour force, but independent estimates put it nearer 15% and as high as 30% among the Shia community. The government fears that frustrated expectations may fuel political unrest and its prime concern is therefore to increase employment opportunities, largely by investing heavily in manufacturing and infrastructure.
- 2.2. Conscious of the importance of the services industry to employment, the government has introduced a number of helpful measures, such as the opening of a stockmarket to attract greater activity and fostering an environment of low interest rates and a stable exchange rate. The impressive record of the Bahrain Monetary Agency (BMA – the central bank) in regulating the banking sector has helped in this regard. Bahrain is today the financial centre of the Middle East due to the large number of banks based in Manama. The government is also intent on developing the tourism sector, which had been given a fillip by the causeway to Saudi Arabia. However, political unrest has constrained growth, many hotels reporting sharply reduced occupancy rates over the last few years. Bahrain's attitude to foreign investors is by far the most progressive in the Gulf. Foreign investment rules have been liberalised, opening

Bahrain for the first time to fully foreign-owned companies (although restrictions still exist).

### 3. **Economic performance**

- 3.1. The UN ranks Bahrain as a high human-development country. GDP per head in 1993, adjusted for purchasing-power parity, was higher than in Saudi Arabia, although lower than in Qatar and in Kuwait. Since then, population growth rates have meant that GDP per head has declined, according to the IMF. Its GDP in 1996 was US\$5.1 billion.
- 3.2. While energy lags behind manufacturing and finance in contribution to GDP, oil continues to be the major source of government revenue and as such is the driving force of the economy. Consequently, growth, as in most Gulf states, fluctuates in line with oil prices. As well as being dependent on oil production, Bahrain has traditionally relied on help from the regional giant, Saudi Arabia. Grant aid from Saudi Arabia, the UAE and Kuwait was cut during the Gulf crisis but resumed in 1992, each country contributing around US\$50mn per year to Bahrain. However, the political unrest in Bahrain has prompted Saudi Arabia to increase aid regardless of the domestic emphasis on reducing expenditure. The Kingdom has its own Shia minority, living largely in the Eastern Province (bordering Bahrain), and is concerned that unrest on the island not be allowed to spill over.
- 3.3. The rate of inflation has continued to fall. Rising prosperity and heavy dependence on imports contributed to steep increases in the cost of living from 1975 to 1984. However, a strong dollar, falling world inflation and weak domestic demand caused consumer prices to fall by 6.5% between 1984 and 1987. Since then, the increase in the consumer price index has remained well under 3% per year, estimated at a mere 0.2% in 1997. Inflation has remained low owing to limited employment opportunities and a concomitant low level of economic activity, sluggish consumer demand and only modest increases in public-service pay.

## **F. RELATIONS WITH SOUTH AFRICA**

### **1. Introduction**

- 1.1. South Africa and Bahrain maintain friendly relations even though the level of interaction is limited. South Africa opened an Embassy in Manama in November 1993, but it was closed as part of a reprioritisation programme in November 1997. South Africa accredited its Ambassador to Riyadh (at present Dr Samuel Motsuenyane) to Bahrain on a non-resident basis. Bahrain does not have any representation in South Africa and does not have non-resident accreditation.

### **2. Chronology of important events**

- |                |   |
|----------------|---|
| 1992           | South Africa and Bahrain establish diplomatic relations.  |
|                | A delegation from the Bahrain Chamber of Commerce and Industry visits South Africa.   |
| November 1993  | South Africa opens an Embassy in Manama.  |
|                | South African Foreign Minister Pik Botha visits Bahrain.  |
| October 1994   | South African Foreign Minister Alfred Nzo visits Bahrain.   |
| April 1995     | President Nelson Mandela pays a state visit to Bahrain.   |
| April 1996     | Deputy President FW de Klerk addresses the Gulf Economic Forum.   |
| June 1997      | Dr Samuel Motsuenyane presents his credentials as South Africa's first non-resident Ambassador to Bahrain.  |
| September 1998 | Bahraini Foreign Minister Shaikh Mohamed bin Mubarak Al-Khalifa leads his country's delegation to the summit meeting of the Non-Aligned Movement. |

### 3. Bilateral Agreements

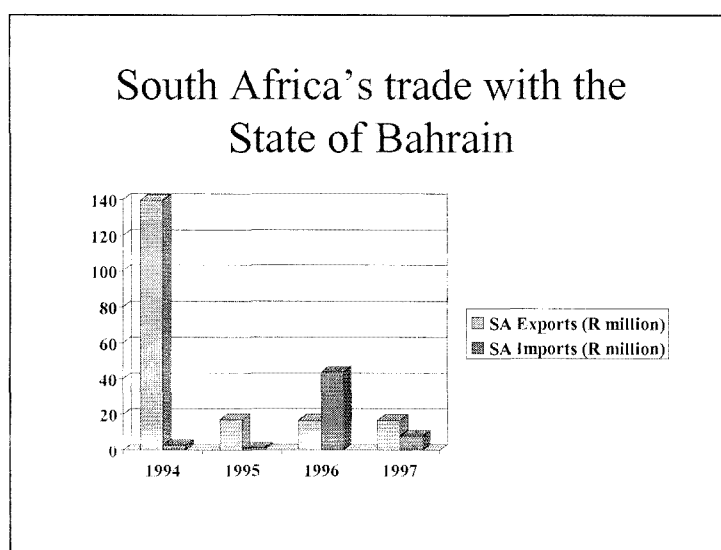
There is only one bilateral agreement between South Africa and Bahrain, namely a Bilateral Air Services Agreement. Another, an Agreement for the Promotion and Reciprocal Protection of Investments, is currently under consideration.

### 4. Bilateral Investments

There are no major bilateral investment in either country.

### 5. Trade Relations

Trade between South Africa and Bahrain has been limited over recent years.



Final figures for 1998 have not been released as yet, but statistics for the first eight months of the year show an increase of 15% in exports and a 50% increase in imports. The details are the following:

	<u>Jan – Aug 1997</u>	<u>Jan – Aug 1998</u>
SA Exports	R11,779,104	R13,523,624
SA Imports	R6,676,094	R9,993,352

The major imports from Bahrain are base metals and machinery, while the major exports are textiles and wood products.

Trade figures are compiled and published by the Commissioner for Customs and Excise of the Department of Finance.

#### 6. Export of military equipment

Trade in military equipment is not included in the trade statistics published by the Commissioner for Customs and Excise. However, according to the National Conventional Arms Control Committee (NCACC), no South African military equipment has been exported to Bahrain between 1996 and 1998.

#### 7. Tourism

Tourism from Bahrain to South Africa has been very limited. Since 1995, the number of tourists declined from 499 to 258 in 1996 and only 185 in 1997. However, because of the potential that does exist, plans are underway to launch a project in consultation with Satour during 1999 to promote tourism from Bahrain to South Africa.

#### 8. The South African community in Bahrain

There is a significant number of South African nationals resident in Bahrain, some of them in very senior positions. Most of the South African's work in the health and aviation sectors.

## **G. DISCUSSION POINTS**

### **1. Introduction**

- 1.1. Shaikh Isa bin Salman Al-Khalifa, who assumed power in Bahrain in 1961, died on 6 March 1999 and was immediately succeeded by his son, Shaikh Hamad bin Isa Al-Khalifa. By the time of the President's visit, Bahrain will still be in its three month mourning period. The President may wish to commence any discussion with an expression of condolences at the death of Shaikh Isa.

### **2. Bilateral Relations**

- 2.1. There are no major issue of bilateral concern that must be discussed, but the President may wish to raise the following:
  - The former Amir, as well as the Prime Minister and Minister of Foreign Affairs have received invitations to visit South Africa. The President may wish to encourage them to visit South Africa.
  - Even though the Bahraini Government has indicated that they do not have the necessary resources to open an Embassy in South Africa, the President may wish to encourage the new Amir to accredit an Ambassador on a non-resident basis. South Africa closed its Embassy in Manama in 1997 due to financial restraints, but has since accredited Ambassador Samuel Motsuenyane on a non-residential basis.
  - The President has already granted approval for the appointment of Mr Cassim Docrat as Honorary Consul in Bahrain. Mr Docrat is a South African national working at the Gulf International Bank in Manama. The approval of the Bahraini Government for his appointment has been requested, but a response is awaited. The President may wish to enquire about progress in this regard.



### 3. Developments in Southern Africa

- 3.1. In general, Bahrainis (including its Government) are not well-informed about developments in Sub-Saharan Africa. With the exception of some Arab countries in North Africa, Bahrain has no representation in any African country. The President may wish to brief the Amir on the elections in South Africa and the progress made with the democratic process in the country; as well as developments in Angola and the Great Lakes region.

### 4. Multilateral Issues

#### 4.1. Libya

The President's role in resolving the Lockerbie issue.

#### 4.2. The Non-Aligned Movement

The President may wish to discuss future developments within NAM and South-South dialogue.

#### 4.3. Developments in the Middle East

The President and the Amir may wish to exchange views on the latest developments relating to such issues as the Middle East Peace Process and Iraq.