



# **EU-GCC Dialogue on Economic Diversification**

**A Project funded by the European Union**

## **GCC Country Economic Profile**

### **Bahrain**



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DMI Associates



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# Kingdom of Bahrain Key Facts

## Government

Bahrain's political system is a constitutional monarchy. The political system allows the public to exercise power in decision-making, which is the foundation upon which modern political thought is built. The executive authority forms a Shura Council, which consists of forty members, and the Council of Representatives, which is elected. Each of these form wings of the legislative authority houses aimed at achieving the public's wishes through the National Assembly.

The King of Bahrain is His Majesty the King Shaikh Hamad bin Isa Al Khalifa. His Royal Highness Prince Khalifa bin Salman Al Khalifa is the Prime Minister. His Royal Highness Prince Salman bin Hamad Al Khalifa is the Crown Prince, Deputy Supreme Commander and First Deputy Prime Minister.

## Membership in international organisations

ABEDA, AFESD, AMF, CAEU, CICA, FAO, G-77, GCC, IAEA, IBRD, ICAO, ICC (national committees), ICRM, IDA, IDB, IFC, IFRCs, IHO, ILO, IMF, IMO, IMSO, Interpol, IOC, IOM (observer), IPU, ISO, ITSO, ITU, ITUC (NGOs), LAS, MIGA, NAM, OAPEC, OIC, OPCW, PCA, UN, UNCTAD, UNESCO, UNIDO, UNWTO, UPU, WCO, WFTU (NGOs), WHO, WIPO, WMO, WTO

## Languages

Arabic (official), English, Farsi, Urdu

## Economic agreements

Free Trade Agreements: 22 Countries

Investment Protection & Promotion Agreement: 34 Countries

Double Taxation Avoidance Agreements: 41 Countries

Kingdom of Bahrain - Key figures (2019)	
Population (millions)	1.5
GDP (Billions of Euros)	34
GDP per capita (Euros)	22,575
Real GDP growth	2%
Inflation rate	1.4%

Merchandise Trade (2019, Billions of Euros)	
Imports	11.3
Exports	7.1

Trade in Services (2018, Billions of Euros)	
Imports	6.7
Exports	10.1

Source DG Trade, WEF

# Bahrain economic policies and EU – Bahrain economic relations

## Economic development objectives

- The country's development plan is mapped out in the Economic Vision 2030 document – goal: a sustainable, competitive and fair economy capable of doubling real household income by 2030.
- The roadmap to achieving the Vision is the National Economic Strategy, developed by the ministries under the guidance of Economic Development Board.
- Empower private sector to drive economic growth by enhancing productivity and skills, focusing on existing high-potential sectors, and capturing emerging opportunities through an environment highly conducive to entrepreneurship and innovation.
- Efficient government focusing on developing high quality policies and reforming the public sector to become more productive, to strengthen investor trust and confidence in Bahrain's free market economy.
- Implement energy-efficiency regulations and facilitate direct investments to technologies that reduce carbon emissions, minimize pollution, and promote the sourcing of more sustainable energy.

## Current economic status

- COVID-19 related policies: fiscal, monetary and macro-economic policies. The stimulus package of \$1.5 billion, equivalent to 4.2 percent of GDP, was approved in March to respond to the economic distress due to the COVID-19 pandemic. The package covers initiatives that aim to provide assistance to businesses and individuals for a period of three months. Monetary and macro-financial policies include the Central Bank of Bahrain (CBB) expansion of lending facilities to banks by \$10 billion, or 28 percent of GDP, to facilitate deferred debt payments and extension of additional credit, as well as interest rate cuts.
- Oil prices: are forecasted to remain low for the next several years. It is critical for Bahrain to diversify the economy from hydrocarbon to be less affected by energy price shocks.
- Investment environment: conducive to attracting FDI. The advantages for foreign investors include zero taxation for private companies, few indirect taxes for private enterprises and individuals, and free movement of capital – one hundred percent foreign ownership of business assets and real estate in most of the sectors.
- Innovation and productivity: Countries worldwide have on average raised their labour productivity by 21 percent over the past 25 years, while Bahrain's improvement has been just 17 percent.

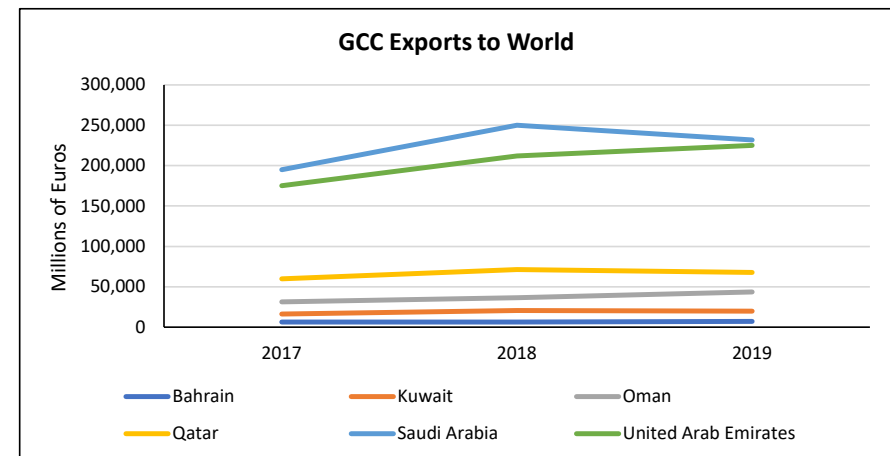
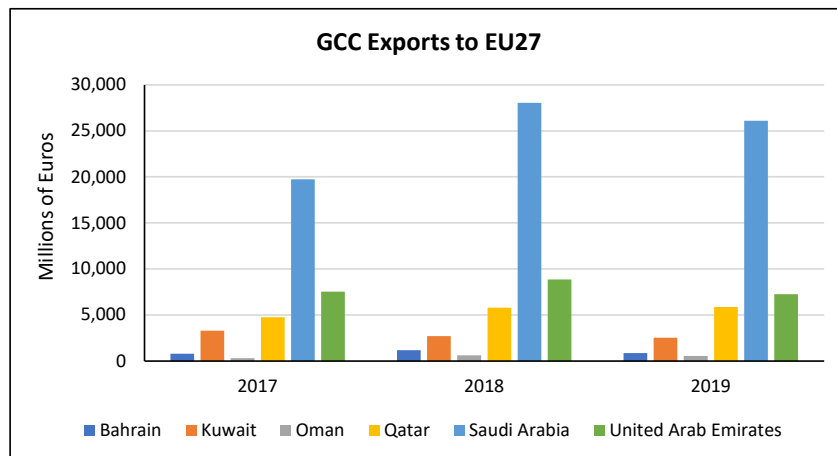
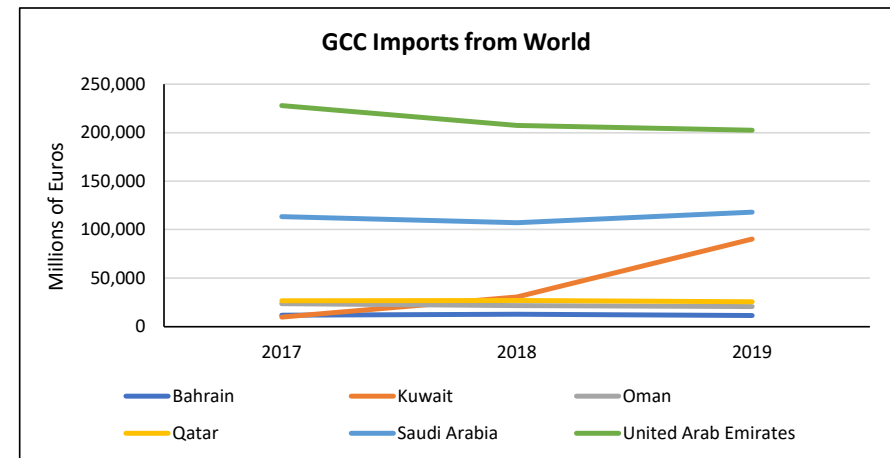
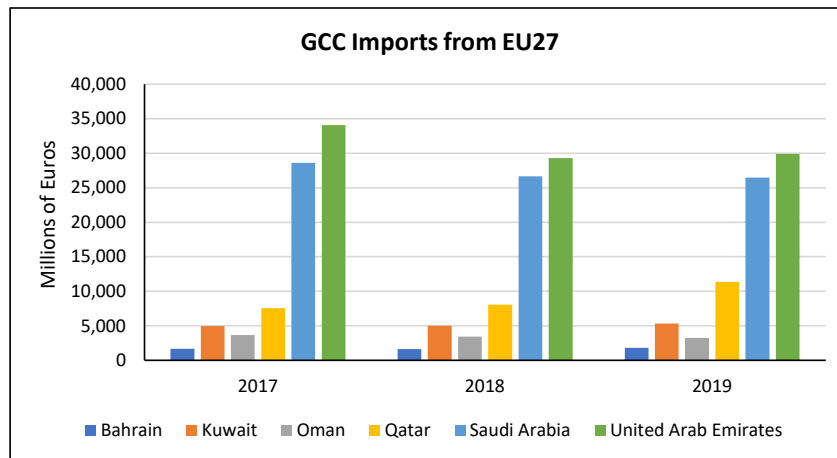
## EU – Bahrain Economic relations

**Economic and political cooperation between the EU and the GCC countries:** the framework is provided by the 1988 EU-GCC cooperation agreement that seeks to improve trade relations and stability in a strategic part of Europe's neighbourhood. The agreement created a Joint Council and a Joint Co-operation Committee which meet annually. The two sides meet on an annual basis to discuss trade, amongst other topics, within the EU-GCC Joint Co-operation Committee held in Riyadh or Brussels.

**Trade negotiations:** The EU and Gulf Cooperation Council launched negotiations for a Free Trade Agreement (FTA) in 1990. The FTA is foreseen to provide for a progressive and reciprocal liberalisation of trade in goods and services. The negotiations have faced several challenges and were effectively halted in 2008, when the GCC countries suspended all ongoing negotiations in which they were involved. While periodic informal contacts have taken place since then to test whether a basis might be found to resume and conclude negotiations, these have not been successful. In parallel with the negotiations, the prospective EU-GCC FTA was subject to a sustainability impact assessment.

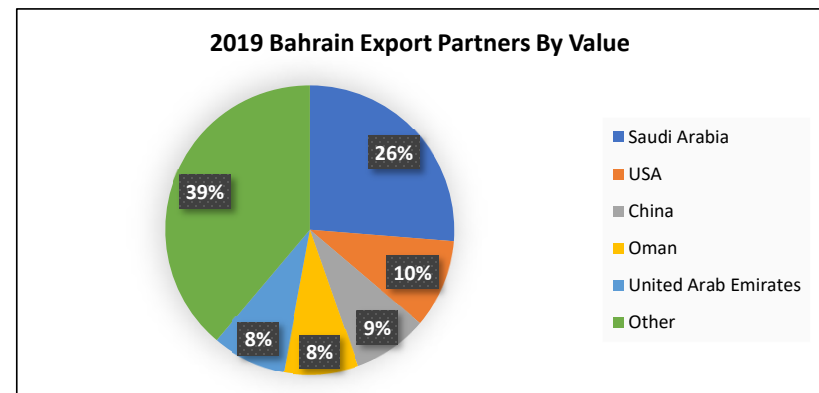
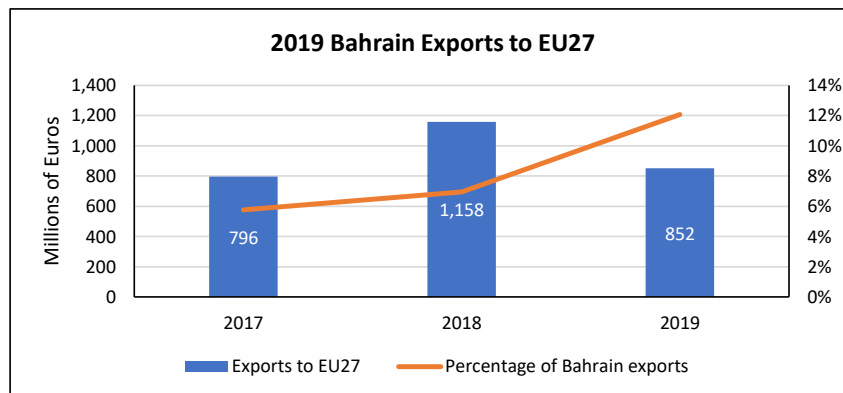
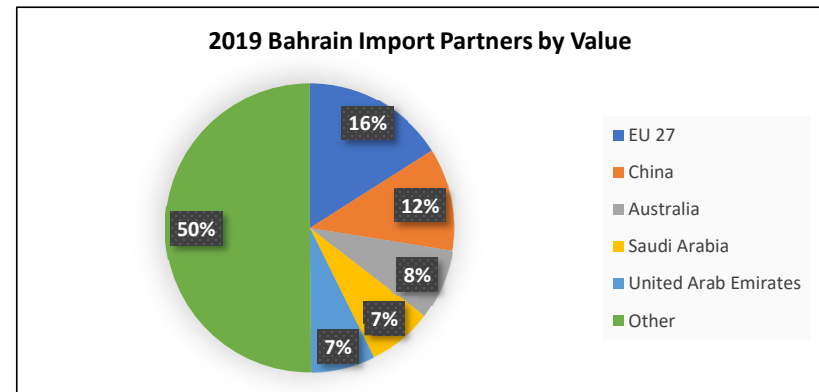
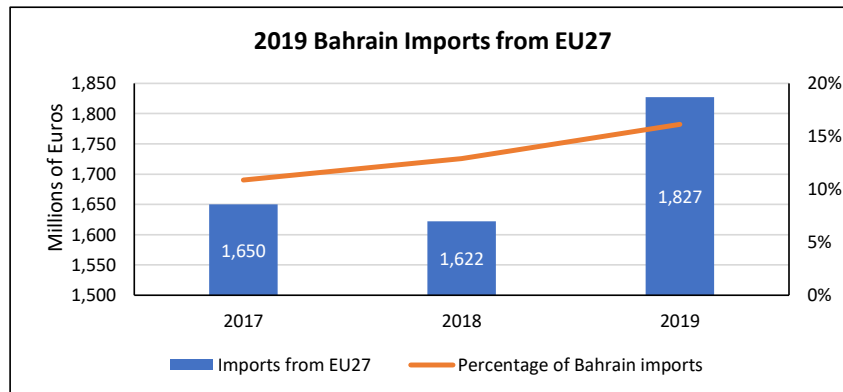
Source: <https://ec.europa.eu/trade/policy/countries-and-regions/regions/gulf-region/>

# GCC Merchandise Trade with EU27 and the World



Source Eurostat Comext, European Commission Trade Market Access Database

# Bahrain Merchandise Trade with EU27 and the World



Source Eurostat Comext

## EU – Bahrain Major Trade flows by HS section

EU Imports from Bahrain					
2018			2019		
Goods	Value (millions of Euros)	% EU Imports from Bahrain	Goods	Value (millions of Euros)	% EU Imports from Bahrain
V Mineral products	575	50%	XV Base metals and articles of base metal	410	48%
XV Base metals and articles of base metal	445	38%	V Mineral products	312	37%
XIII Articles of stone, plaster, cement, asbestos, mica or similar materials; ceramic products; glass and glassware	33	3%	XIII Articles of stone, plaster, cement, asbestos, mica or similar materials; ceramic products; glass and glassware	35	4%
VII Plastics, rubber, articles thereof	23	2%	VII Plastics, rubber, articles thereof	27	3%
XVII Vehicles, aircraft, vessels and associated transport equipment	20	2%	XVII Vehicles, aircraft, vessels and associated transport equipment	22	3%

EU Exports to Bahrain					
2018			2019		
Goods	Value (millions of Euros)	% EU Exports to Bahrain	Goods	Value (millions of Euros)	% EU Exports to Bahrain
XVI Machinery and mechanical appliances; electrical equipment; parts thereof;	515	32%	XVI Machinery and mechanical appliances; electrical equipment; parts thereof;	457	25%
XVII Vehicles, aircraft, vessels and associated transport equipment	241	15%	XVII Vehicles, aircraft, vessels and associated transport equipment	450	25%
VI Products of the chemical or allied industries	193	12%	VI Products of the chemical or allied industries	194	11%
XV Base metals and articles of base metal	94	6%	IV Prepared foodstuffs; beverages, spirits and vinegar; tobacco and manufactured tobacco	93	5%
IV Prepared foodstuffs; beverages, spirits and vinegar; tobacco and manufactured tobacco	93	6%	XV Base metals and articles of base metal	92	5%

## EU – Bahrain major trade flows by HS heading

2019 EU Imports from Bahrain		2019 EU Exports to Bahrain	
XV Base metals and articles of base metal (HS 72-83)	7601 - Unwrought aluminium 7606 - Plates, sheets and strip, of aluminium, of a thickness of > 0,2 mm (excl. Expanded plates, sheets and strip) 7219 - Flat-rolled products of stainless steel, of a width of >= 600 mm, hot-rolled or cold-rolled "cold-reduced"	XVI Machinery and mechanical appliances; electrical equipment (HS 84-85)	8471 - Automatic data-processing machines, magnetic or optical readers 8411 - Turbojets, turbo propellers and other gas turbines 8537 - Boards, panels, consoles, desks, cabinets
V Mineral products (HS 25-27)	2710 - Petroleum oils and oils obtained from bituminous minerals (excl. Crude); 2709 - Petroleum oils and oils obtained from bituminous minerals, crude 2620 - Slag, ash and residues containing metals, arsenic or their compounds (excl. Those from the manufacture of iron or steel)	XVII Vehicles, aircraft, vessels and associated transport equipment (HS 86-89)	8802 - Powered aircraft 8703 - Motor cars and other motor vehicles principally designed for the transport of persons 8705 - Special purpose motor vehicles
XIII Articles of stone, plaster, cement, asbestos, mica or similar materials; ceramic products; glass and glassware (HS 68-70)	7019 - Glass fibres, incl. Glass wool, and articles thereof 7010 - Containers, of glass for the conveyance or packing of goods 6810 - Articles of cement, concrete or artificial stone	VI Products of the chemical or allied industries (HS 28-38)	3004 - Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic uses 3002 - Human blood; animal blood prepared for therapeutic, prophylactic or diagnostic uses; antisera and other blood fractions and modified immunological products 3302 - Mixtures of odoriferous substances and mixtures

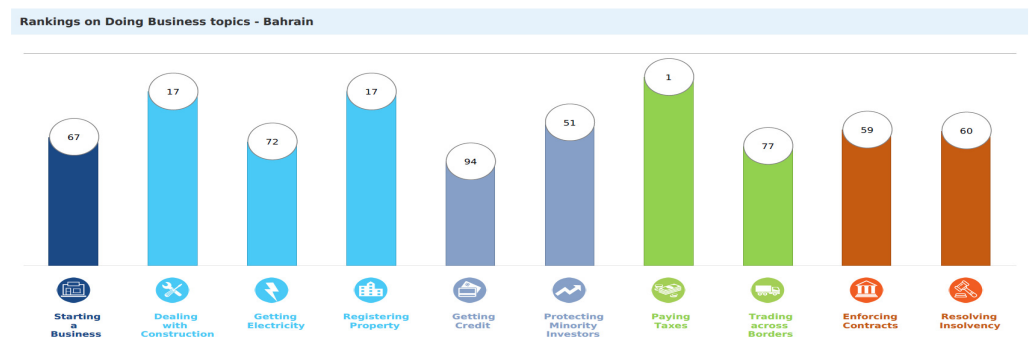
Source Eurostat Comext

*Note: Products ordered by value*



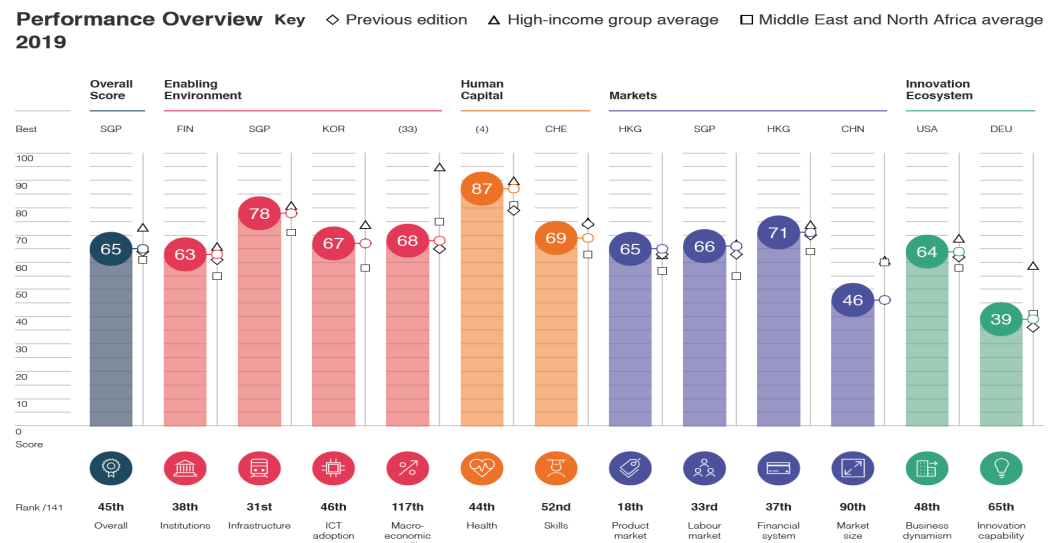
# Economic competitiveness indicators

Indicator	Ranking	Out of # Countries
World Bank Ease of Doing Business	43	190
WEF Global Competitiveness Index 4.0	45	141
Fraser Institute – Economic Freedom	50	162
Global Foreign Direct Investment Attractiveness Index	54	109
United Nations e-Government Survey	26	193
Global Innovation Index	78	129



Source World Bank, Doing Business 2020 - Bahrain

Infrastructure – key figures
<b>Airports: 4 (2013)</b> Annual passenger traffic on registered air carriers: 5,313,756 (2015) Annual freight traffic on registered air carriers: 240,107,004 mt-km (2015)
<b>Major seaports: Mina' Salman, Sitrah</b>
<b>ICT</b> Broadband - fixed subscriptions: 184,603 subscriptions per 100 inhabitants: 13 (2018 est.)  Telephones - fixed lines: 274,733 subscriptions per 100 inhabitants: 19 (2018 est.)  Telephones - mobile cellular: 2,092,714 subscriptions per 100 inhabitants: 145 (2018 est.)



Source WEF, The Global Competitiveness Report 2019

# Population Structure and Availability of Human Capital

Population (2020 est.)	
Population (millions)	1.5
Population growth rate	2.08%
Birth rate	12.7 births/1,000 population
Death rate	2.8 deaths/1,000 population

Age structure (2020 est.)	
0-14 years	18.45% (male 141,039/female 136,687)
15-24 years	15.16% (male 129,310/female 98,817)
25-54 years	56.14% (male 550,135/female 294,778)
55-64 years	6.89% (male 64,761/female 38,870)
65 years and over	3.36% (male 25,799/female 24,807)

Human Capital Availability
<ul style="list-style-type: none"> <li>➤ Literacy (age 15 and over can read and write) 2018: <ul style="list-style-type: none"> <li>▪ total population: 97.5%</li> <li>▪ male: 99.9%</li> <li>▪ female: 94.9%</li> </ul> </li> <li>➤ School life duration (primary to tertiary education) 2017: <ul style="list-style-type: none"> <li>▪ total: 15 years</li> <li>▪ male: 15 years</li> <li>▪ female: 16 years</li> </ul> </li> <li>➤ Labor force participation rate, total (% of total population ages 15-64): 75</li> <li>➤ Unemployment, total (% of total labor force): 0.71</li> </ul>

# Investment opportunities by Sector

## Financial Services



**FinTech and Payments:** Bahrain FinTech Bay provides facilities including dedicated coworking, innovation labs, advisory services, and collaboration platforms. The transformation of Bahrain's FinTech ecosystem has been driven by regulatory reform, paving the way for emerging industries including crowdfunding, InsurTech, robo-advice and crypto-asset platforms.

**Islamic Finance:** The Bahrain Islamic Bank and other financial companies help lead the way in Islamic finance in Bahrain.

## Tourism, Real Estate, Education, Healthcare



Bahrain is building the capacity to support its growing tourism industry, as well as three other important sectors. Healthcare is a new, high-potential market for investors with significant opportunities in the technology space. Education is also emerging as a key focus that achieves success through generating skills and promoting improvement. Real estate market continues to mature and strengthen.

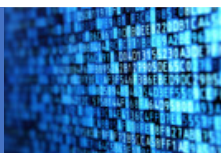
## Manufacturing, Transport and Logistics



**Manufacturing key sectors:** FMCG, Industrial Services, Logistics, Metals, Packaging, plastics and chemicals, pharmaceuticals. Bahrain offers companies a number of industrial zones, such as the Bahrain International Investment Park (BIIP) - cost-effective industrial park for value-added manufacturing and international services projects.

**Logistics:** wide range of business logistics opportunities for international companies looking to establish a cost-effective distribution and fulfillment base in the region, access to GCC markets and high-quality customer service from Bahrain Economic Development Board. The Bahrain Logistics Zone (BLZ) offers a range of solutions that cater to increasing logistics operations needs.

## Information and Communications Technology



Global IT companies have chosen Bahrain as a hub due to the availability of talent, cost competitiveness, ownership structure and market access to the overall region. A compact and highly-connected ecosystem brings together a diverse range of IT companies in Bahrain within the areas of IT services, IT distribution, IT consultancy, data management systems, software development, and customer support centres.

## Startups



Numerous organisations can assist startup companies from the very beginning, offering startup funding, management expertise, and assistance with growing revenue. The entities that offer support to starting a company or receiving funding for a business in Bahrain: accelerators, incubators, funding and venture capital (BDB, Tamkeen).

## Important Contacts

Agency	Support Provided	Website	Contact Information
Bahrain Economic Development Board	Information on Investment opportunities and licensing procedures	<a href="https://bahrainedb.com/">https://bahrainedb.com/</a>	Tel: +973 1758 9999
Tamkeen	Support for both the development and growth of enterprises through grants and loans and support to enhance the productivity and training of the national workforce.	<a href="https://www.tamkeen.bh/">https://www.tamkeen.bh/</a>	Tel: +973 1738 3333
Export Bahrain	Export focused solutions: financing, credit insurance, training and knowledge sharing	<a href="http://export.bh/">http://export.bh/</a>	Tel: +973 1738 3999
Bahrain Chamber of Commerce and Industry	Support for the private sector through representing its interests nationally and internationally and providing services to enhance the private sector's role in economic development.	<a href="https://www.bcci.bh/en">https://www.bcci.bh/en</a>	Tel: +973 1738 0000

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