



EU-GCC Dialogue on Economic Diversification

A project funded by the European Union

GCC Country Economic Profile - Kingdom of Bahrain



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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

AABEDA, 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 (2022)	
Population (millions)	2
GDP (Billions of Euros)	42
GDP per capita (Euros)	27,336
Real GDP growth (%)	4.2
Inflation rate (%)	3.6

Trade in Goods (2022, Billions of Euros)	
Imports	14.8
Exports	23.1

Trade in Services (2021, Billions of Euros)	
Imports	8.7
Exports	11.2

Bahrain Economic Policies

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 the Economic Development Board.
- Empower the 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 in technologies that reduce carbon emissions, minimize pollution, and promote the sourcing of more sustainable energy.

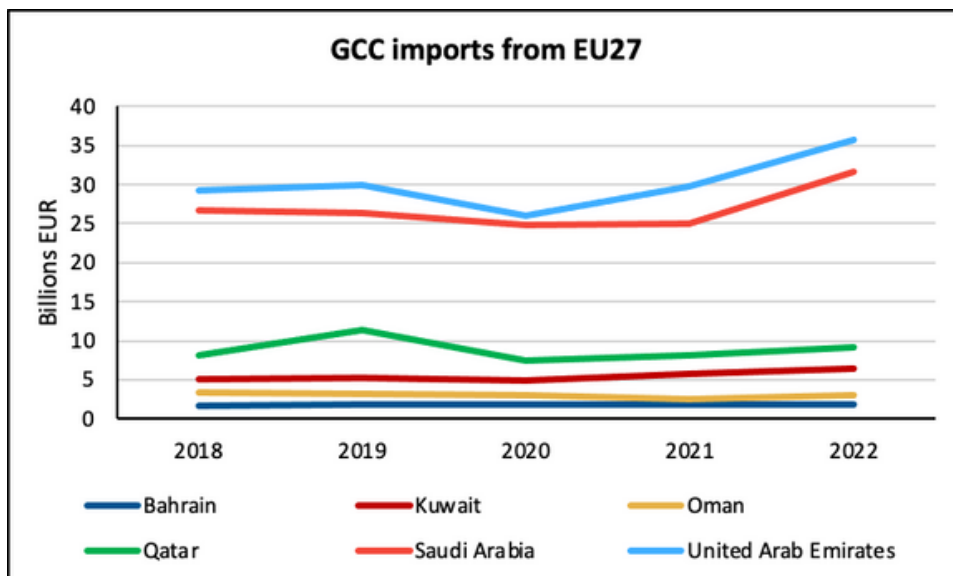
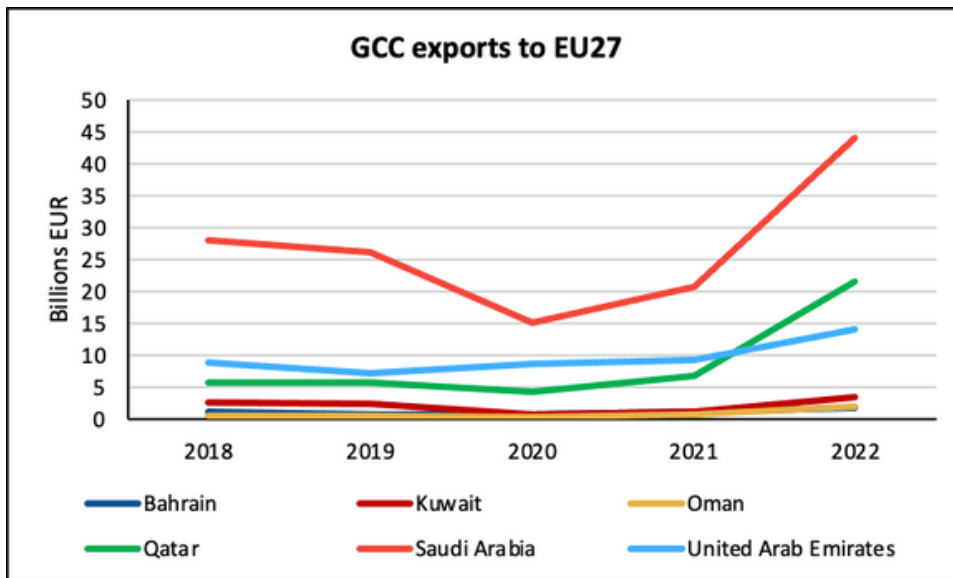
Current Economic Status (July 2023)

- Bahrain experienced strong growth in 2022, in line with other Gulf Cooperation Council countries. Continued fiscal reform momentum and high oil prices improved fiscal and external balances.
- The economy grew by 4.9 percent in 2022, driven by 6.2 percent growth in non-hydrocarbon GDP while hydrocarbon GDP contracted by 1.4 percent. Non-hydrocarbon growth was driven by public, financial, and hospitality services and manufacturing.
- The banking system remains resilient with ample buffers and has so far withstood the phasing out of COVID measures and tightening financial conditions.
- Growth is projected to moderate to 2.7 percent in 2023, with non-oil GDP growing by 3.3 percent reflecting fiscal consolidation, higher interest rates, and a base effect from 2022 strong growth. Thereafter, growth is projected to stabilize at around 2.7 percent over the medium term. Nevertheless, significant uncertainty clouds the forecast, including oil price volatility, international financial turmoil ongoing tightening, and a slowdown in global growth.
- The authorities remain strongly committed to their fiscal and structural reform agenda as outlined in the Fiscal Balance Program and Economic Recovery Plan with a focus on reducing the fiscal deficit and public debt, while advancing diversification efforts, including by increasing labor market flexibility, further lifting female labor force participation, enhancing economic digital infrastructure, and addressing climate change challenges.
- 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.

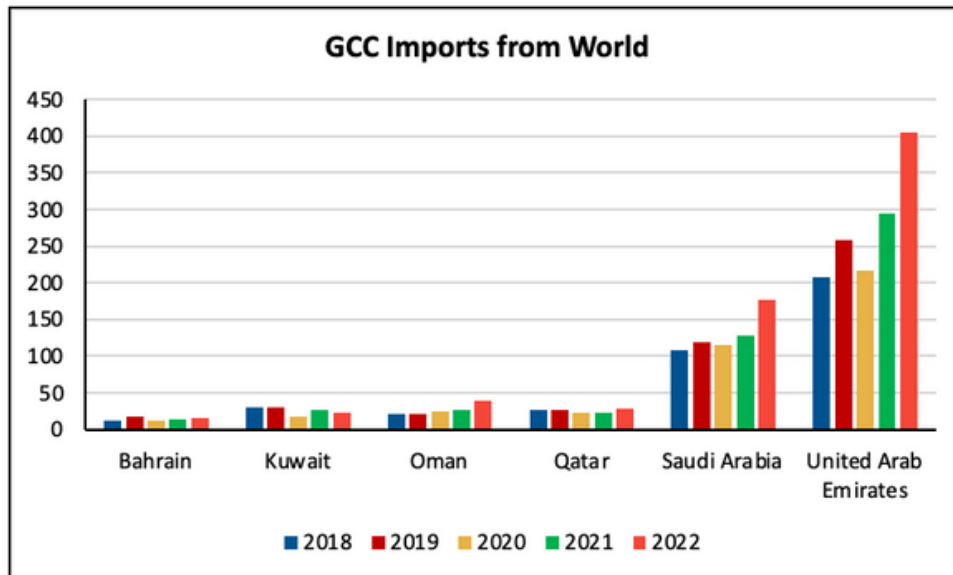
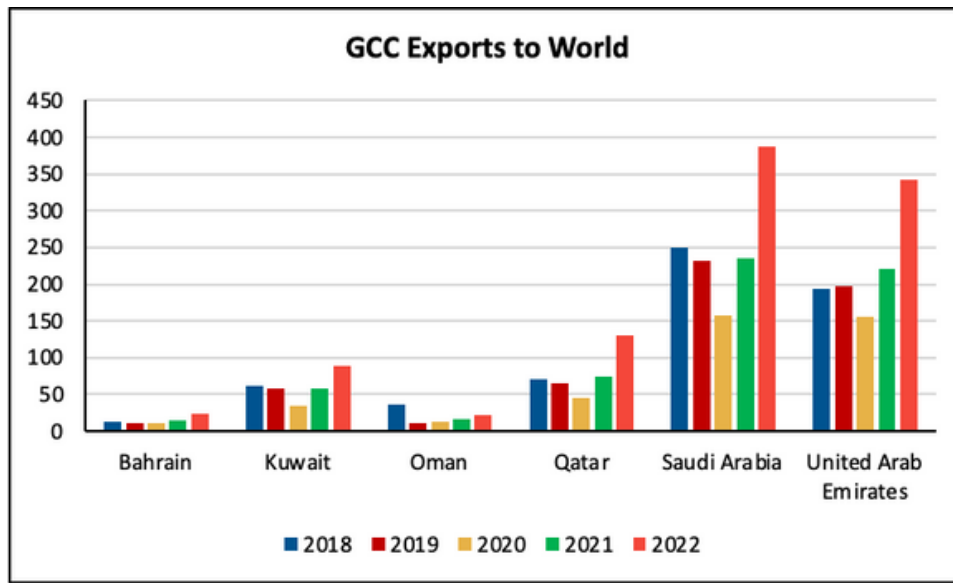
EU – Bahrain Economic Relations

- **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 neighborhood. 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 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.

GCC Merchandise Trade with EU27 & the World



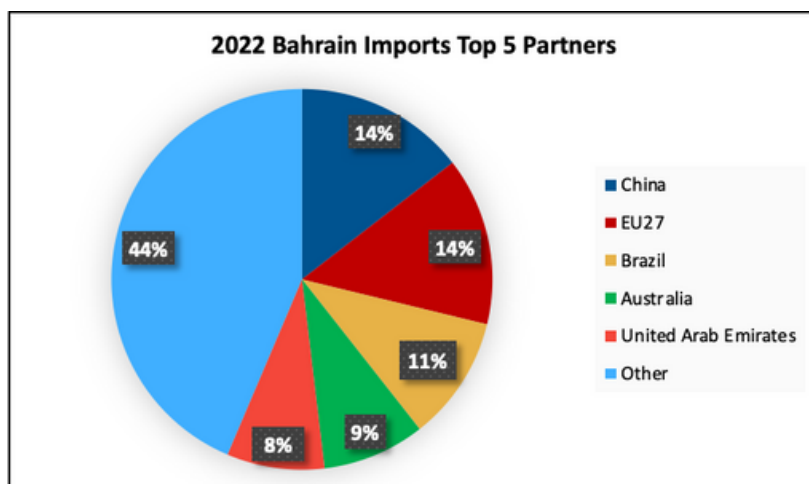
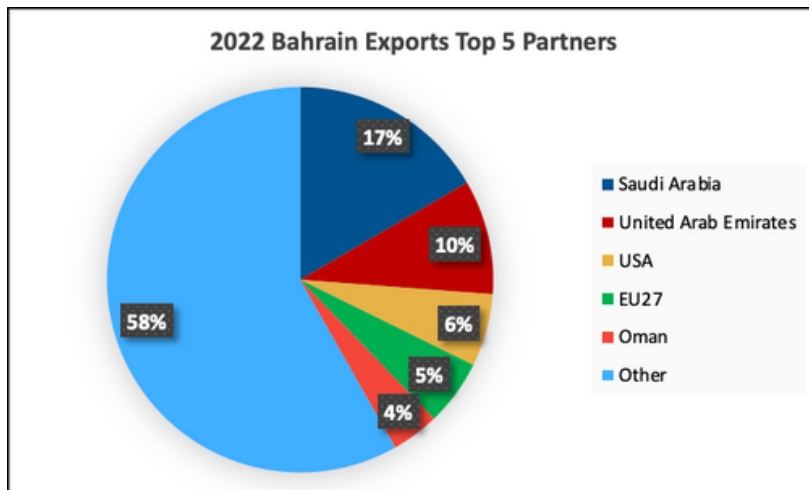
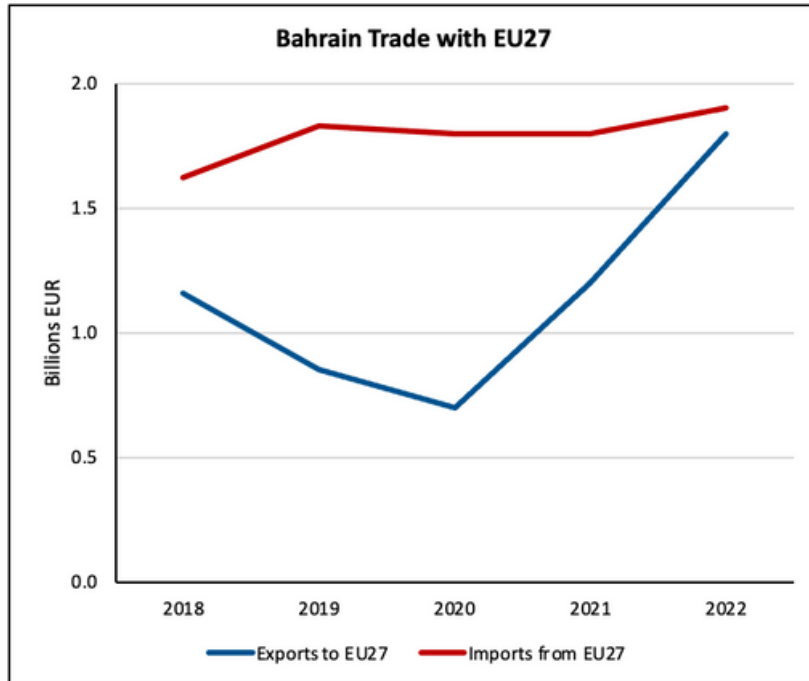
GCC Merchandise Trade with EU27 & the World



EU27 Rankings as Trade Partner for GCC Countries, 2022

GCC country	EU27 rank as supplier	Imports value (Billion EUR)	Imports from EU27 as % of country's imports from all partners	EU27 rank as export market	Exports value (Billion EUR)	Exports to EU27 as % of country's exports to all partners
Bahrain	2	2.11	14.3	4	1.26	5.5
Kuwait	2	4.42	18.7	8	193	0.2
Oman	5	2.59	6.7	5	1.13	5.3
Qatar	1	5.37	19.4	4	15.25	11.7
Saudi Arabia	2	33.49	18.9	2	45.18	11.7
United Arab Emirates	2	42.69	10.6	7	13.06	3.8

Bahrain Trade in Goods with EU27 & the World



EU – Bahrain Major Trade Flows by HS Section

EU Imports from Bahrain					
2021			2022		
Goods	Value (millions of Euros)	% Total	Goods	Value (millions of Euros)	% Total
XV Base metals and articles of base metal	742	60.7	XV Base metals and articles of base metal	1,205	65.7
V Mineral products	343	28.0	V Mineral products	453	24.7
VII Plastics, rubber, articles thereof	39	3.2	XIII Articles of stone, glass and ceramics	63	3.4
XIII Articles of stone, glass and ceramics	35	2.8	VII Plastics, rubber, articles thereof	34	1.9
XVII Transport equipment	22	1.8	VI Products of the chemical or allied industries	24	1.3

EU Exports to Bahrain					
2021			2022		
Goods	Value (millions of Euros)	% Total	Goods	Value (millions of Euros)	% Total
XVI Machinery and mechanical appliances; electrical equipment; parts thereof;	382	20.7	XVI Machinery and mechanical appliances; electrical equipment; parts thereof;	412	22.3
XVII Transport equipment	377	20.5	VI Products of the chemical or allied industries	286	15.5
VI Products of the chemical or allied industries	267	14.5	XVII Transport equipment	272	14.7
V Mineral products	218	11.9	V Mineral products	150	8.1
XV Base metals and articles of base metal	105	5.7	IV Foodstuffs, beverages, tobacco	121	6.5

Source: Eurostat Comext

EU – Bahrain Major Trade Flows by HS Heading

2022 EU Imports from Bahrain		2022 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) 7605 Aluminium wire (excl. stranded wire, cables, plaited bands and the like and other articles of heading 7614, electrically insulated wires, and strings for musical instruments)	XVI Machinery and mechanical appliances; electrical equipment (HS 84-85)	8411 Turbojets, turbo propellers and other gas turbines 8471 Automatic data-processing machines and units thereof; magnetic or optical readers, machines for transcribing data onto data media in coded form and machines for processing such data 8413 Pumps for liquids (excl. ceramic pumps and secretion aspirating pumps for medical use and medical pumps carried on or implanted in the body); liquid elevators (excl. pumps); parts thereof
V Mineral products (HS 25-27)	2710 Petroleum oils and oils obtained from bituminous minerals (excl. crude); preparations containing >= 70% by weight of petroleum oils or of oils obtained from bituminous minerals, these oils being the basic constituents of the preparations, n.e.s.; waste oils containing mainly petroleum or bituminous minerals; Petroleum oils and oils obtained from bituminous minerals (excl. crude) 2620 Slag, ash and residues containing metals, arsenic or their compounds (excl. those from the manufacture of iron or steel) 2714 Bitumen and asphalt, natural; bituminous or oil-shale and tar sands; asphaltites and asphaltic rocks	VI Products of the chemical or allied industries (HS 28-38)	3004 Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic uses, put up in measured doses "incl. those for transdermal administration" or in forms or packings for retail sale (excl. goods of heading 3002, 3005 or 3006) 3002 Human blood; animal blood prepared for therapeutic, prophylactic or diagnostic uses; antisera and other blood fractions and immunological products and similar products 3822 Diagnostic or laboratory reagents on a backing, prepared diagnostic or laboratory reagents; certified reference materials
XIII Articles of stone, glass and ceramics (HS 68-70)	7019 Glass fibres, incl. glass wool, and articles thereof (excl. mineral wools and articles thereof, optical fibres, fibre bundles or cable, electrical insulators or parts, brushes of glass fibres, dolls' wigs) 6802 Monumental or building stone, natural (excl. slate), worked, and articles; mosaic cubes etc. of natural stone, incl. slate; artificially coloured granules, chippings, powder, of natural stone, incl. slate (excl. setts, curbstones, flagstones; articles of fused basalt and of fired steatite; jewellery, clocks, lamps and parts; buttons, chalks, original sculptures and statuary) 6902 Refractory bricks, blocks, tiles and similar refractory ceramic constructional goods (excl. those of siliceous fossil meals or similar siliceous earths)	XVII Transport equipment (HS 86-89)	8703 Motor cars and other motor vehicles principally designed for the transport of <10 persons, incl. station wagons and racing cars (excl. motor vehicles of heading 8702) 8802 Powered aircraft "e.g. helicopters and aeroplanes"; spacecraft, incl. satellites, and suborbital and spacecraft launch vehicles 8807 Parts of aircraft and spacecraft of heading 8801, 8802 or 8806, n.e.s.

Economic Competitiveness Indicators

Indicator	Ranking	Out of # Countries
Fraser Institute – Economic Freedom, 2023 Report	45	165
United Nations e-Government Survey, 2022	54	193
Global Innovation Index, 2023	67	132

Infrastructure – Key Figures

Airports: 4 (2021)

Annual passenger traffic on registered air carriers: 5,877,003 (2018)

Annual freight traffic on registered air carriers: 420.98 million mt-km (2018)

Major seaports: Mina' Salman, Sitrah

ICT

Broadband - fixed subscriptions: 148,595 (2020 est.)

Subscriptions per 100 inhabitants: 9 (2020 est.)

Telephones - fixed lines: 266,741 (2021 est.)

Subscriptions per 100 inhabitants: 18 (2021 est.)

Telephones - mobile cellular: 1,923,443 (2021 est.)

Subscriptions per 100 inhabitants: 131 (2021 est.)

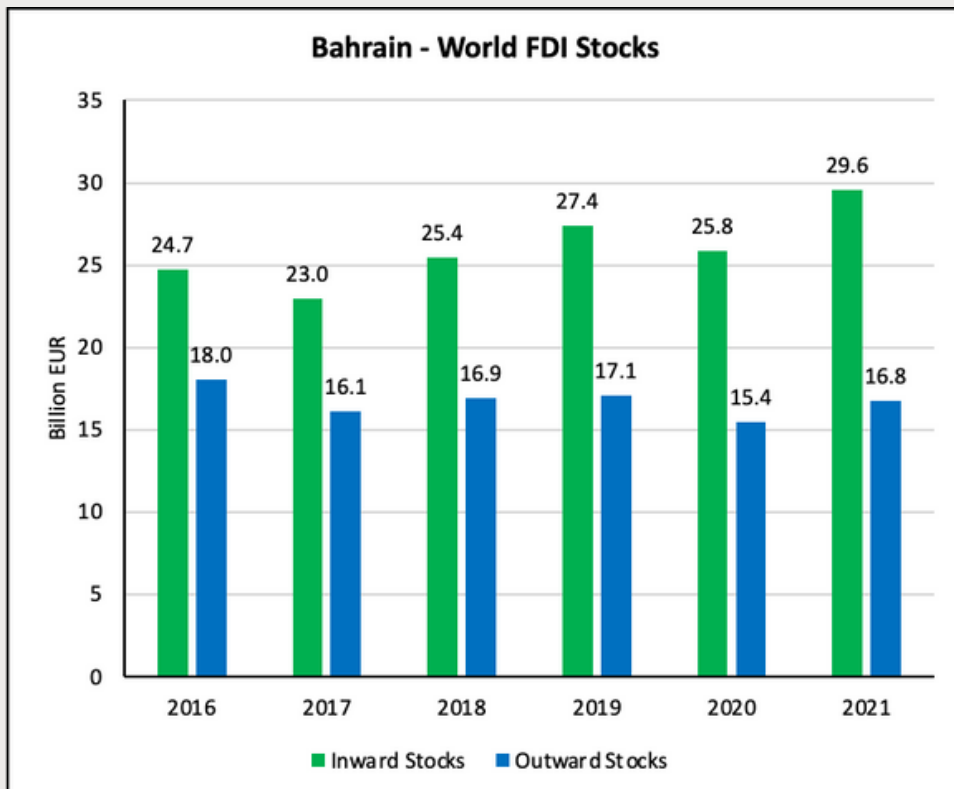
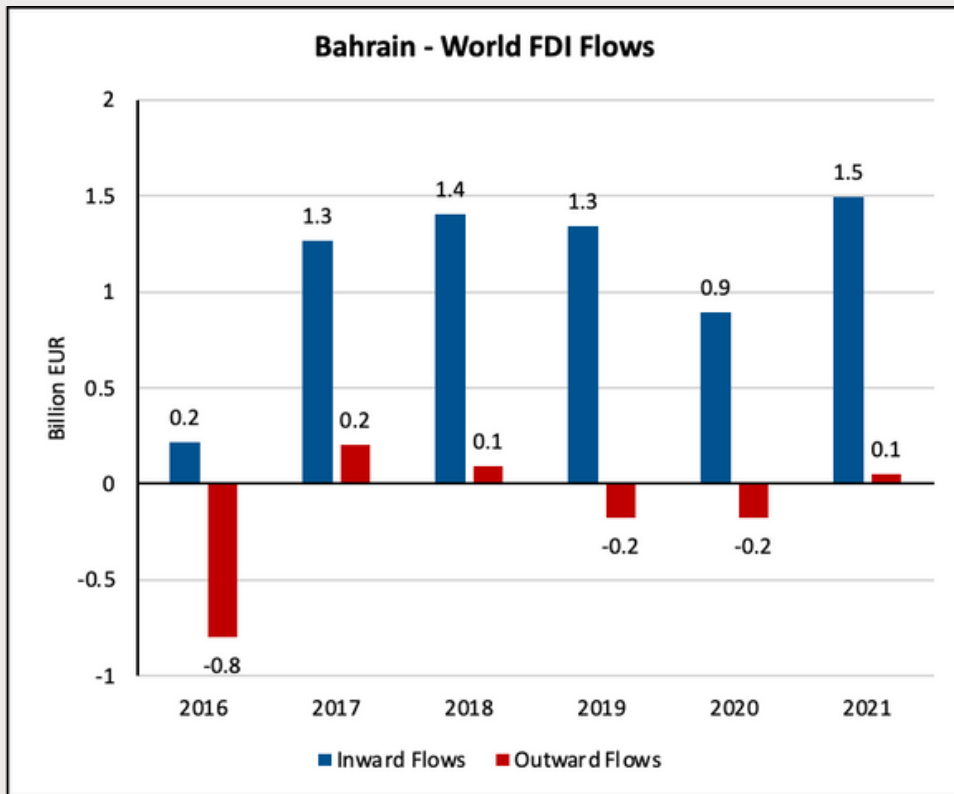
Population Structure & Availability of Human Capital

Population (2023 est.)	
Population (millions)	2
Population growth rate	0.85%
Birth rate	12.3 births/1,000 population
Death rate	2.83 deaths/1,000 population

Age structure (2023 est.)	
0-14 years	18.14% (male 142,866/female 139,083)
15-64 years	77.83% (male 759,539/female 449,848)
65 years and over	4.03% (male 32,162/female 30,388)

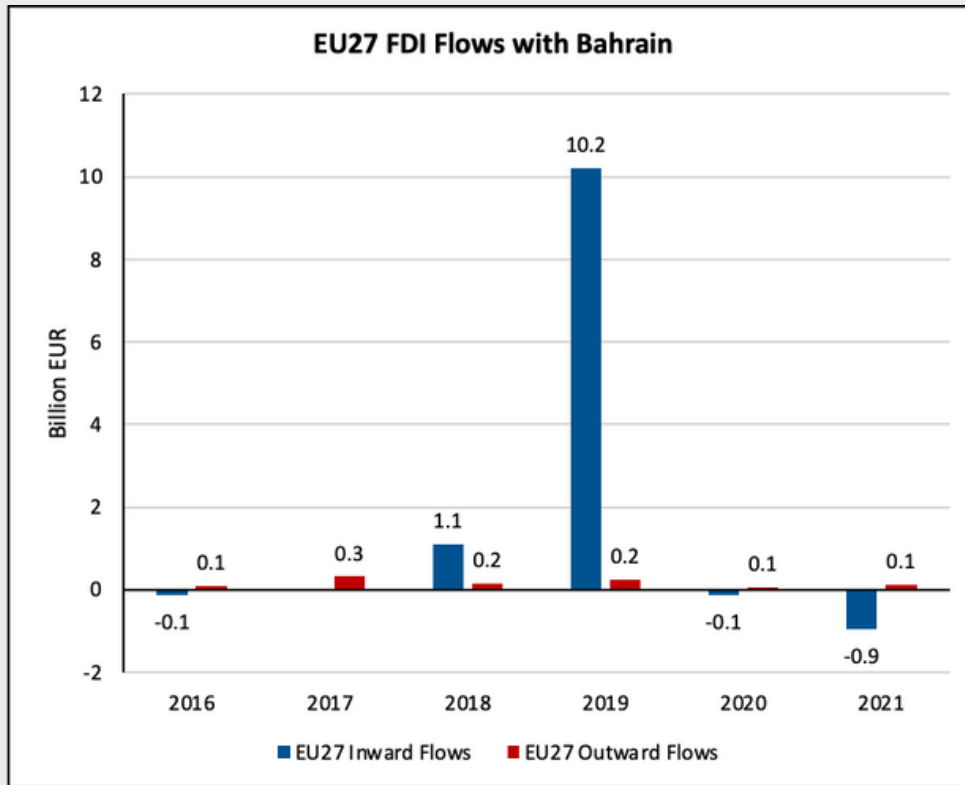
Human Capital Availability
<p>Literacy (age 15 and over can read and write) 2018:</p> <ul style="list-style-type: none"> total population: 97.5% male: 99.9% female: 94.9%
<p>School life duration (primary to tertiary education) 2019:</p> <ul style="list-style-type: none"> total: 16 years male: 16 years female: 17 years
<p>Labor force: 819,100 (202 est.) (excludes unemployed; 44% of the population in the 15-64 age group is non-national)</p>
<p>Unemployment, total (% of the total labor force): 1.87% (2022 est.)</p>

Bahrain - World FDI Flows & Stocks

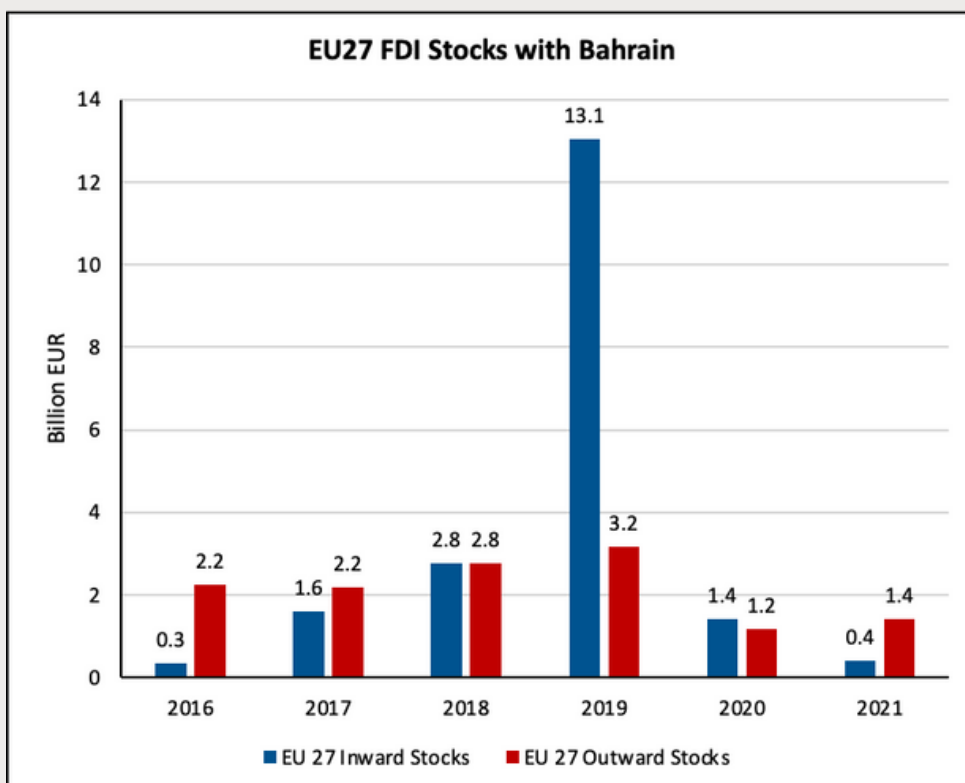


EU27 FDI Flows & Stocks with Bahrain

Bahrain ranks 198th in FDI Flows to EU



Bahrain ranks 87th in FDI Stocks to EU



Bahrain FDI with World Partners, 2021

- **Bahrain inward FDI flows** from all world partners reached 1.5 billion EUR, while **outward FDI flows** were close to 0.05 billion EUR.
- **FDI stocks in Bahrain** from all world partners reached 29.5 billion EUR and **Bahrain outward FDI stocks** to all partners were close to 17 billion EUR.

EU27 FDI with World Partners, 2021

- **EU27 FDI flows to world partners** reached 98.8 billion EUR and **FDI flows to EU27 from world partners** -219.2 billion EUR.
- **EU27 FDI stocks to world partners** were 16,642 billion EUR and **world partners' FDI stocks into EU27** reached 14,051.4 billion EUR.

EU27 - Bahrain Bilateral FDI, 2021

- **EU27 FDI flows to Bahrain** increased in 2021 to 128.3 million EUR from 58.6 million EUR in 2020. **EU27 inward FDI flows from Bahrain** decreased in 2021 to -940.3 million EUR from -133 million EUR in 2020.
- **FDI stocks from Bahrain into the EU27** amounted to 406.2 million EUR, a significant decrease from 1,420.3 million EUR in 2020. The **FDI stocks from the EU27 into Bahrain** increased from 1,184.6 million EUR in 2020 to 1,420.8 million EUR in 2021.

Investing in Bahrain - Incentives

- No free zone restrictions: Bahrain is the only GCC state to permit freedom across all sectors and the entire country is effectively a free zone.
- A foreigner can own 100% of a company established in Bahrain for most business activities.
- There are no restrictions on capital repatriation, currency exchange, or transfer of dividends.
- The duty-free import of machinery and raw materials is possible.
- Easy financing mechanisms are available for projects.
- There is active participation of the private sector in industry activities.
- Liberalization and privatization processes exist in key sectors of the economy.
- Doing business in Bahrain costs approximately 40% less than in Qatar and Dubai.

Golden license for companies:

- On April 3, 2023, Bahrain announced the introduction of a “golden license” offering benefits to companies bringing large-scale investment projects to the Gulf state.
- Companies with major investment and strategic projects that will create more than 500 jobs in Bahrain, or those with investment value exceeding \$50 million, will be eligible for the license.
- The golden license will be offered to local and foreign businesses and benefits include prioritized allocation of land, infrastructure, and services, easier access to government services, and support from government development funds, the statement said.
- Other advantages include integrated cooperation with various government departments, a designated account manager from Bahrain’s Economic Development Board, as well a potential review of existing laws or regulations where necessary and applicable.

Important Contacts

Agency	Support Provided	Website	Contact Information
Bahrain Economic Development Board	Information on Investment opportunities and licensing procedures	https://bahrainedb.com/	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.	https://www.tamkeen.bh/	Tel: +973 1738 3333
Export Bahrain	Export focused solutions: financing, credit insurance, training and knowledge sharing	http://export.bh/	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.	https://www.bcci.bh/en	Tel: +973 1738 0000

References

- Fraser Institute 'Economic Freedom of the World Annual Report 2023'
- IMF (2023) Saudi Arabia Article IV Consultation Staff Report
- United Nations 'E-Government Survey 2022 - The Future of Digital Government'
- WIPO (2023), 'Global Innovation Index 2023 - Innovation in the face of uncertainty'

About the EU-GCC Dialogue on Economic Diversification Project

The EU-GCC Dialogue on Economic Diversification is a project funded by the European Commission Service for Foreign Policy Instruments under the Partnership Instrument.

The project contributes to stronger EU-GCC relations by supporting the GCC countries in the ongoing process of economic diversification away from hydrocarbon-dependent sectors, including by funding regular EU-GCC Business Fora.

The purpose of this project is to promote climate-friendly trade, investment, and economic affairs-related policy analysis, dialogue, and cooperation between stakeholders from the EU and GCC at both regional and country levels in the context of the GCC economic diversification process.

For more information on the EU-GCC Dialogue Project, and to download research reports and other publications, please visit:

https://www.eeas.europa.eu/eeas/EUintheGCC_en

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