



# Doing Business in Bahrain

The Gulf region (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates) has experienced high economic growth in recent decades, due largely to their vast oil and gas reserves. Trade between the Netherlands and the Gulf States has increased remarkably and Dutch businesses have built up an excellent reputation. In 2016, the export of goods from the Netherlands to the Gulf reached €6,4 billion. Diversification efforts in the Gulf countries – aimed at reducing dependence on oil and gas and increasing the share of the private sector in the economy – offer new opportunities for Dutch companies in the areas of agriculture and horticulture, (renewable) energy, transport and logistics, aviation and health care.

The Kingdom of Bahrain is the smallest of the GCC member States. The island country is connected to Saudi Arabia in the west by the King Fahd Causeway. Its small size and central location among Gulf countries require it to play a modest, moderating role in regional politics.

Bahrain has been a regional pioneer, with a constant drive for further improvements. According to the 2017 Expat Insider survey Bahrain is considered to be the best country for expats to work and live in 2017. This is a big jump, since Bahrain was ranked 19<sup>th</sup> in 2016. Bahrain has a friendly business environment, and Bahrainis are very welcoming. Almost everyone speaks English.

Since 1783 the Al Khalifa royal family rules the country. It declared independence in 1971 from the treaties and the protectorate of the United Kingdom. Bahrain was declared a Kingdom in 2002. Currently, King Hamad (Shaikh Hamad bin Isa Al Khalifa) rules the constitutional monarchy. The head of government is the Prime Minister, who fulfills the position since 1971.



Due to land reclamation projects, Bahrain has increased its amount of islands from 33 to 84. The country has mild winters and very hot and humid summers. Its natural resources include large quantities of oil and natural gas as well as fish in the offshore waters.

## Priority sectors

### Energy

Bahrain is a small GCC country in the Arab Gulf neighboring Saudi Arabia and Qatar. The demands for energy has been increasing dramatically, which can be explained by, among others, a strong demographic growth, industrialization, tourism, increased living standards, and climate change. Total energy consumption has increased by 4.2% per year on average since 2004 and reached 14.3 Mtoe. According to the World Bank, Bahrain has one of the highest energy consumption rates per capita in the world.

Altogether, Bahrain ranks third in countries that use the most electricity per capita. In order to cope with the increasing demand, Bahrain aims to diversify and modernize its economy and aims to produce more energy from renewables. Especially the private market will play an important role in meeting the increasing demands in Bahrain, which offers great opportunities for Dutch companies in Bahrain's power sector.



### Gas

At the end of 2016, the country's proven oil reserves were estimated at 17 Mt and the gas reserves at 92 bcm. Bahrain has difficulties since its gas supply restrains its industrial production - especially aluminum - while the gas consumption in the power sector keeps increasing. According to the International Energy Agency (IEA), the MENA region will rely on gas imports in the future in order to meet the energy demand in the region. It is expected that the consumption in the Middle East will increase from 480bn cu meters in 2015 to 738 cu meters by 2040.

### Private Sector

Bahrain puts much emphasis on attracting Foreign Direct Investments (FDI) in order to create jobs. Bahrain has started with the modernization process and the development of existing power infrastructure to meet the growing demand. The role of the private sector will be crucial. Especially, because the public spending will decrease due to the low oil prices. In total,

the private sector is responsible for approximately 80% of the total electricity generation capacity.

### Construction Sector

In 2016, the Bahraini construction industry grew by 6.4%, which follows an average annual growth of 5.2% from 2012 onwards. There has been an increase of investments in both the public and private sector, and an increasing demand of residential construction projects. Bahrain offers the lowest construction costs for light and heavy duty factories in the entire GCC region.

Given the planned infrastructure, residential and energy projects it is expected that the construction will continue to expand and lead to further growth. Although the low oil prices are likely to affect the growth prospects, the aim for diversification in the country will create growth opportunities for the construction industry as well. On top of that, the housing supply in Bahrain is relatively low compared to the demand. The government of Bahrain plans to construct 65,000 social housing units across the country by 2020, which creates opportunities for Dutch companies.

## Do's and don'ts in Bahrain

Bahrain is small, but has many opportunities for business. Bahrain has a liberal economy ranking 10<sup>th</sup> out of 190 in the World Bank's Ease of Doing Business report. The 2017 Index of Economic Freedom ranks Bahrain 44<sup>th</sup> out of 180 countries. Bahrain is strategically located as a hub in the region with Saudi Arabia on its doorstep, with fast and efficient access to every market in the Middle East by air, sea and road. There is a 100% foreign ownership of business assets and real estate allowed with no 'free zone' restrictions. The financial services are well regulated, and the local workforce is well educated and skilled.

Bahrain is the most competitive commercial office space market compared to Dubai and Qatar. Rental rates for commercial office space have remained stable in 2015, and are expected to reduce further.

Although it is relatively easy to do business in Bahrain, there are some challenges as well. The business culture is different from Western countries, in which the Islamic culture is dominant. Therefore it is advised to be aware of the do's and don'ts.



## Local Culture

- Be aware of the fact that Bahrain is an Islamic country. Although there are not very strict rules, it is important to respect them.
- Shake hands when you enter a meeting and approach your counterpart in a formal way by addressing him or her with Sheikh or Doctor and surname.
- Make sure your company employs the required number of Bahrainis.
- Make sure the government documentation is filled in Arabic.
- Be prepared for bureaucracy in the governmental sector.
- Do not plan too many meetings at the same day. It is quite common that your counterpart will arrive a bit late.

## Pioneering History

Bahrain has been a regional pioneer, constantly looking for further improvements. The small country was the first in the Gulf in amongst others:

- To start male and female education.
- To discover oil.
- To establish a chamber of commerce.
- To establish a banking sector
- To start an economic diversification strategy that favored non-oil industries.
- To start privatization programs.
- To completely liberalize the telecom market.

## Embassy & RVO

### General Information

The Netherlands Embassy in Kuwait is the official representation of the Netherlands in both Kuwait and Bahrain. In addition, there is an Honorary Consulate of the Netherlands in Manama. As embassy, we are pleased to assist Dutch companies in their businesses in Bahrain. The Netherlands embassy is there to provide information, answer questions, look for opportunities, and local diplomatic support.

Netherlands Enterprise Agency (RVO.nl) encourages entrepreneurs in sustainable, agrarian, innovative and international business. It helps with grants, finding business partners, know-how and compliance with laws and regulations.

### Market Business Scans

The Netherlands embassy and RVO together collect information about the Bahraini market, which they present in a so called business partner scan for Dutch companies that are interested in doing business in Bahrain.

Business scans include information about the Bahraini market, trends, potential importers, and distributors. The senior

economic policy officer of the Netherlands embassy collects this information through meetings with experts working in the particular sector.

## Relevant Contacts

- Netherlands Embassy in Kuwait  
<https://www.netherlandsworldwide.nl/countries/kuwait/about-us/embassy-in-kuwait>
- <https://www.netherlandsworldwide.nl/countries/bahrain/about-us/consulate-honorary-of-the-kingdom-of-the-netherlands-in-manama>
- <https://www.rvo.nl/onderwerpen/internationaal-ondernemen/landenoverzicht/bahrein>

<b>Official name</b>	Kingdom of Bahrain
<b>Government type</b>	Constitutional Monarchy
<b>Population</b>	1.36 million (est. 2015, <50% is Bahraini)
<b>Area</b>	780 km <sup>2</sup>
<b>Time Difference</b>	GMT +3
<b>Currency</b>	Bahraini Dinar
<b>GDP growth rate</b>	2.8% (2015)
<b>GDP per capita</b>	\$22435.60 (2015)
<b>Trade Volume</b>	25 bln.
<b>Inflation</b>	2%
<b>Income level</b>	High Income
<b>Global Competitiveness Index</b>	44 (out of 138)
<b>Ease of Doing Business</b>	63 (out of 190)
<b>Global Corruption Index</b>	70 (out of 176)
<b>Main trading partners</b>	Exp. KSA, UAE, US Imp. CHN, US, UAE
<b>Major exports</b>	Refined Petroleum
<b>Major imports</b>	Cars
<b>Netherlands FDI in Bahrain</b>	84137.00
<b>Netherlands – Bahrain trade</b>	EUR 104.201.000

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