Trade Policy Review

Report by

The Kingdom of Bahrain

Pursuant to the Agreement Establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), the policy statement by The Kingdom of Bahrain is attached.

Note: This report is subject to restricted circulation and press embargo until the end of the first session of the meeting of the Trade Policy Review Body on The Kingdom of Bahrain.

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# Introduction

The information herewith is for the fourth trade policy review of the Kingdom of Bahrain at the World Trade Organization.

The Kingdom of Bahrain confidently strides towards achieving its economic vision 2030, that was launched in 2008 by His Majesty King Hamad bin Isa Al Khalifa, King of Bahrain, to provide a clear direction for the continued development of the Kingdom's economy and, at its heart, is a shared goal of building a better life for every Bahraini. The Kingdom is striving to move from an oil-based economy to a globally competitive, productive, sustainable, and diversified economy backed by a solid regulatory framework creating an attractive domestic and foreign investment environment lead by a committed agile government working together with the privet sector towards a sustainable future.

The Government of the Kingdom of Bahrain led by His Royal Highness Prince Salman bin Hamad Al Khalifa, the Crown Prince and Prime Minister, focuses on the principles of fairness, competitiveness, and sustainability to shape the vision of the Government, society, and the economy. The Vision 2030 also addresses the Sustainable Development Goals 2030 (SDGs).

Accordingly, these three principles are reflected in the government action plan which reflects the Government of Bahrain's strategic priorities over a four-year period and focuses on delivering sustainable change in line with his majesty King Hamad's development programme. Built upon the principles of sustainability, transparency, fairness and competitiveness, the government action plan seeks to capitalize on the Kingdom's resources and capabilities to meet the needs of all Bahrainis. The Kingdom of Bahrain is currently amid the process of implementing the government plan for the years (2019-22) focuses on the achievements of the Kingdom and its people in the light of the fiscal balance programme that aims at creating balance between public expenditure and revenues to achieve economic growth, financial stability, and sustainable development. The government plan (2019-22) is based on the following strategic priorities:

1. Upholding the values of the State and Society.
2. Financial sustainability and economic development.
3. Supporting an Enabling Environment for Sustainable Development.

Bahrain is looking forward to achieving the following general objectives through its Government Action Plan (2019-22):

1. Invest in citizens by enhancing, improving, and sustaining government services in education, health, and other sectors.
2. Create a safe and stable society.
3. Enhance sustainable development to achieve fiscal balance and maintain economic growth.
4. Support the private sector to drive national development and create opportunities for citizens and investors.
5. Optimize the use of resources and ensure their sustainability for the next generations.
6. Family stability and achieving gender equity.
7. Continue to finance development projects and infrastructure that enhance growth and serve citizens.
8. Redefine the role of the public sector from operator to regulator and partner.
9. Support creativity, excellence, and highlight the role of woman, youth, sports as well as expanding the role of small and medium enterprises in the economy in all government programmes and initiatives.

Moreover, Bahrain is working continuously in implementing its trade policies in line with its WTO commitments and is fully applying the Trade Facilitation Agreement two years ahead of planned date.

In line with the Government's Action Plan, the Kingdom of Bahrain is making strides towards digitizing its economy and improving the Kingdom's ecosystem through emerging technologies, where the Government has identified the significance of technology to reinforce its economic growth, jobs creation, and human development whilst creating new opportunities that improve quality of life for its people.

The hashtag "#TeamBahrain" was created in 2018 in response to the statement made by His Royal Highness Prince Salman bin Hamad Al Khalifa, the Crown Prince and Prime Minister that "Every soldier that protects our nation, every police officer that upholds our security and stability, every public and private sector employee that support our national progress – we are all part of #TeamBahrain. Together we can overcome any challenge, under the leadership of HM King Hamad". The hashtag created huge reactions both from the public and private sector alike in support of the statement. #TeamBahrain is a model of private-public collaboration to create solutions for investors and entrepreneurs looking to base their activities in the Kingdom. Whether it's a large multinational.

Based on the above-mentioned criteria the main axes of the achievements and aspirations of the Government of Bahrain will be addressed in the context of this review report.

# FOREIGN TRADE

## Imports

Non-oil imports experienced (2.61%) average annual growth between 2010-20.

According to 2020 imports data; mechanical and electrical equipment topped the five top imported commodities (28% of total imports), followed by chemicals products (14%), mineral products (9%), transportation vehicles and equipment (8%) and base metals and articles of base metal (8%), while other commodities constitute around (32%) of total imports.

Furthermore, for imports in 2020, China topped the list of trading partners (14% of total imports), followed by Saudi Arabia (7%), Australia (7%), Unites States of America (7%) and United Arab Emirates (6%).

## Exports

Total non-oil exports witnessed (5.37%) average annual growth between 2010-2020, while the national origin exports average annual growth is about (3.93%) between 2010-2020.

Moreover, the contribution of non-oil exports to total exports increased from (27%) in 2010 to (53%) in 2020. Exported commodities during 2020 were dominated mostly by base metals and articles of base metal (59% of total exports), mineral products (11%), chemicals products (9%), plastic and rubber products (4%) and prepared foodstuffs, beverages, and tobacco (4%). Other exported commodities constitute only (13%) of total exports.

Saudi Arabia was ranked first with regard to top five exporting partners with a (22%) share of total exports, United Arab Emirates was second at (9%), followed by the Unites States of America (8%), Sultanate Oman (7%) and Netherlands (6%) as for 2020.

# Enhancing productivity and capacity

## Developing commerce

### Legislations

The Government of Bahrain has implemented several policies and passed a number of regulations to enhance the legislative framework for sectors that support economic growth, including the following commercial legislations:

1. Decree-Law No. (15) of 2021 regarding External Auditors, replacing Decree-Law No. (26) of 1996 regarding Auditors.
2. Decree-Law No. (18) of 2021 amending some provisions of Law No. (51) of 2014 regulating the Practice of Engineering Professions.
3. Law No. (5) of 2021 Regulating and Controlling International Trade in Endangered Species of Wild Fauna and Flora.
4. Decree Law No. (28) of 2020 amending some provisions of the Commercial Companies Law promulgated by Decree Law No. (21) of 2001, The amendments are part of Bahrain's ongoing aim to develop its compliance and regulatory frameworks in line with international best practice.
5. Decree-Law No. (29) of 2020 on Amending some Provisions of Decree-Law No. (4) of 2001 on Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT), The Central Bank of Bahrain views the fight against money laundering ('AML') and combating the financing of terrorism ('CFT') as a key priority. Bahrain is part of the Financial Action Task Force ('FATF') through the full membership of the Gulf Cooperation Council in the FATF and is committed to the implementation of all international standards in this area. Bahrain is also a founding member of the regional MENA-FATF and hosts its secretariat.
6. Decree Law No. (54) of 2018 promulgating the Electronic Communications and Transactions Law.
7. Decree-Law No. (52) of 2018 amending some provisions of Decree-Law No. (27) of 2015 regarding the Commercial Register, that includes provision related to setting the criteria and rules for determining the ultimate beneficiary in accordance with best practices and standards related to improve international tax compliance, combating money laundering and terrorist financing. As well a commitment on behalf of the trader to implement any obligations undertaken by Bahrain under international conventions and treaties, which would enhance tax compliance, combat tax avoidance and evasion, and combat money laundering and terrorist financing, in a manner that ensures the verification of the actual economic substance of the trader's activities in the Kingdom, which includes, without limitation, verifying that profits and returns result from the trader's actual economic activities in the Kingdom, and for this purpose MOICT may compel the trader to submit any reports or documents and keep them for the same legally prescribed period for keeping commercial books.
8. Decree-Law No. (51) of 2018 amending some provisions of the Commerce Law promulgated by Legislative Decree No. (7) of 1987, that includes maintaining commercial books to show the trader's/ company's financial status and to keep these records for a period of 10 years.
9. Decree No. (22) of 2018 Promulgating the Reorganization and Bankruptcy Law. This law is a step towards strengthening the legal framework and business ecosystem in Bahrain, through boosting transparency and efficiency in the insolvency process and improving the ease of doing business in Bahrain.
10. Order No. (97) of 2017 with respect to regulating incubators and accelerators activities, which opened an investment opportunity for the private sector to invest in the Business Incubators & Accelerators sector, boosting the Startups sector and encouraging them to operate under a supporting environment. It also offered sector specific support and services for Startups.
11. Law No. (65) of 2016 to issue the Implementation Regulation of the law (system) with respect to Trademarks of The Gulf Cooperation Council countries. It is a unified law dealing with the protection, enforcement, and commercialization of trademarks across each of the GCC member states (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the UAE). It is not a unitary GCC registration system and brand owners seeking protection of their trademarks still must file separate trademark applications with the Trademark Offices of each GCC country and pay separate official fees.
12. Law No. (17) of 2016 ratifying the Protocol amending the Marrakesh Agreement to establish the World Trade Organization by adding the Trade Facilitation Agreement to Annex 1 (A) of the Agreement.
13. Decree-Law No. (27) of 2015 Concerning the Commercial Register, a completely new law replacing Decree No. (1) Finance 1961 on the Establishment of the Commercial Register.
14. Decree Law No (62) of 2014 with respect to Commercial Fraud The law establishes further grounds to trademark owners to file a complaint before the Bahraini authorities to pursue and impose sanctions against traders and entities that supply counterfeit products, including foodstuffs, basic and luxury products, medical products, cosmetics, and other commodities.

### Dispute Resolution

The Bahrain Chamber for Dispute Resolution (BCDR) was established by Legislative Decree No. (64) of 2014 (as amended) and operates with the [American Arbitration Association](https://www.adr.org/) (AAA). The BCDR adopted the UNCITRAL Model Law on International Commercial Arbitration (Model Law) during 2015 for both international and domestic arbitration. The BCDR Court administers disputes more than BHD 500,000 (approx. USD 1.3 million) in which at least one party is a financial institution licensed by the Central Bank of Bahrain, or the dispute is of an international commercial nature.

Between its establishment in 2010 and the end of 2019, BCDR registered 282 cases equivalent to USD 1.44 billion, which covered disputes arising in aviation; banking and finance; construction; consultancy; insurance; Islamic finance; paintings and antiquities; pensions; real estate; steel management; and waste management.

### Innovative Ecosystem- Sijilat

With the aim to streamlines the business registration processes in Bahrain, in 2016 the Ministry of Industry, Commerce and Tourism's Commercial Registration Portal "Sijilat" was launched. To push the Kingdom of Bahrain up among the business competitiveness ranks in various global indicators in line with the Bahrain Economic Vision 2030.

"Sijilat" is an advanced electronic system for the commercial registration and licensing of commercial and industrial establishments in Bahrain, that allows full connectivity with all electronic systems of other relevant entities, which goes hand in hand with the Government's plan for digitizing the Kingdom's economy and improving its ecosystem. Some of the key features of Sijilat are:

1. Provide all services electronically through a single virtual platform: e-application, e‑submission, e-booking of commercial names, e-payment, e-notice, e-certificate, and e‑verification of transactions.
2. To approve supporting e-services provided by the e-Government Authority (such as e-link with other ministries, e-payment gateway, and e-key).
3. To provide multiple channels of service including e-gateway and a contact centre.
4. To provide the unified procedures guide for registration and licensing processes and apply the International Standard Industrial Classification of all economic activities (ISIC4).
5. To separate the registration process from the licensing process.
6. To develop activities and default record.
7. To unify business processes by resetting and facilitating procedures according to the best international practices.
8. To link with all the relevant authorities competent with licensing.
9. To adopt high transparency and electronic documents.

## Developing Industry

Since 1960, the Kingdom of Bahrain developed an economic diversification strategy that included the establishment of industrial parks that target attracting businesses across several industries such as food and beverages, FMCG, pharmaceutical, aluminium, light engineering, plastics and fiberglass. Currently there are seven designated industrial areas in Bahrain that are owned and managed by the Ministry of Industry, Commerce and Tourism with a total size of 22 million m².

Figure 1: Map of the 7 Industrial Parks

Map

Description automatically generated

The history of the industrial parks in Bahrain started with Mina Salman Industrial Park that was established in the 1960s with a total area of 590,950 m² and a direct access to the sea, the park was named after the neighbouring Salman Port and was a prime location for manufacturing companies in addition to logistic companies. Whereas Salman Industrial City is the latest industrial park opened in 2010 with a size of 12 million sqm and is home to the Bahrain International Investment Park (BIIP), Bahrain Investment Wharf (BIW), and the Hidd Industrial Park.

Figure 2: History of Industrial Parks in Bahrain

![Timeline

Description automatically generated]()

There are lands used for industrial purposes that are managed by the private sector. There are also factories located in private estates but licensed by the Ministry.

Bahrain is the home of major industrial projects since the sixties including, for example: Aluminium of Bahrain "ALBA", Arab Shipbuilding and Repair Yard "ASRY", Gulf Petrochemical Industries Company "GPIC" and Gulf Aluminium Rolling Mill Company "GARMCO", JBF Bahrain W.L.L., Mondelez Bahrain Biscuits W.L.L., Mueller Middle East B.S.C. Closed, Arla Foods W.L.L, Reckitt Benckiser W.L.L., Midal Cables Company Limited W.L.L., BFG International W.L.L. and other local and multinational investments.

Salman Industrial City is the latest industrial area with a size of 12 million m², and is home to the Bahrain International Investment Park, Bahrain Investment Wharf, and the Hidd Industrial Area.

Industrialization has formed the backbone of Bahrain's drive for economic diversification for more than four decades. Bahrain's development strategy, Vision 2030, confirmed the importance of the manufacturing sector as a key driver for the diversification process, innovation, and knowledge‑based economy.

Bahrain's diversification plans focus on reducing positively correlated volatilities amongst industries, avoiding fluctuation, and attracting some optimal combination of industrial investments in this pursuit.

Manufacturers operating in Bahrain cover a number of sectors from food and beverage manufacturing to fiberglass production and aluminium downstream industries.

A number of industrial services provided by the Ministry of Industry, Commerce and Tourism are available online:

1. Industrial License: applications to obtain an industrial licence, to implement an industrial project, to add new industrial activity to the industrial licence, to add a branch to the industrial licence, to conduct an expansion of a plant, or to make any transactions related to an industrial licence.
2. Industrial Registration: registration of existing factories that have entered into production by applying for Industrial Registration which should be submitted within 60 days from actual production commencement. Industrial Registration Certificate renewal also included under this system.

Rental Payment Service: payment of the rent for the industrial plot.

Auction Services: to apply to participate in "Mazad Bahrain" auctions related to industrial plots.

## Fiscal Policy

Despite positive growth in the non-oil sector's contribution to GDP, non-oil government revenues have not kept pace with economic growth leading to successive budget deficits. Recognizing the importance of restructuring Government expenditures and revenues to align with positive economic growth, stabilizing debt and strengthening fiscal sustainability, the Government introduced several initiatives between 2015 and 2017. These initiatives were centred around three key priorities: streamlining government expenditure, increasing revenues, and redirecting government subsidies towards eligible citizens.

In late 2018 the Government launched the Fiscal Balance Program, which provides a roadmap for addressing Bahrain's fiscal challenges over the medium-term, with the overall objective of achieving a balanced budget by 2022. To achieve this goal, six initiatives were introduced:

1. Reducing government operational expenditure through activating six dedicated Government Task Forces to identify and implement savings and setting criteria for the procurement of standard products and services.
2. Introducing a voluntary retirement scheme for government employees providing them with the opportunity to contribute to the Kingdom's economic growth through entrepreneurship or participation in the private sector.
3. Balancing the Electricity and Water Authority's expenditures and revenue.
4. Streamlining the distribution of cash subsidies to citizens in need.
5. Improving the efficiency of Government expenditure.
6. Simplifying Government processes and increasing non-oil revenue, to drive economic growth, diversify government income streams and align non-oil revenue with positive economic growth.

Under these broad targets, the Fiscal Balance Program aims to strengthen the Kingdom's fiscal and economic foundations to ensure the sustainability of resources for future generations, through:

1. further developing the provision of sustainable government services in education, health, and social services;
2. continuing the provision of subsidized electricity and water services to citizens in their primary residences;
3. creating quality job opportunities for citizens and ample support to business;
4. establishing rules for the sustainable use of resources;
5. enhancing the efficiency and fairness of direct government support to citizens;
6. continuing funding development and infrastructure projects;
7. streamlining and improving the provision of government services to citizens and investors; and
8. improving Bahrain's credit rating, thereby reducing the cost of financing for citizens and investors.

Both the 2019-20 and 2021-22 state budgets demonstrate that Bahrain is prioritizing sound fiscal and economic policies while safeguarding the continued prosperity of citizens and reflects the Kingdom's continued commitment to achieving the Fiscal Balance Program targets. The budget has envisaged a gradual reduction of the fiscal deficit, as the government non-interest expenditure remains under tight control while continuing to improve the quality and efficiency of the government services. Also, a new taskforce focusing on non-oil revenue development was created to review existing fees and generate new revenue streams without overburdening the economy; this is expected to further drive the Kingdom's economic diversification and enhance the role of the private sector.

Bahrain in 2015, under the guidance of the His Royal Highness Crown Prince, Deputy Supreme Commander and Prime Minister, started a fellowship programme meant to further bolstering national skills and capabilities to support the Kingdom's programme of sustainable development. The significant amount of applications to the fellowship programme reflected the commitment of Bahraini youth to further develop their skill sets and to capitalize on opportunities that facilitate the development of their performance. The fellowship programme became at the forefront of government development programmes and contributes to increasing the proficiency of the national workforce through improving the leadership and analytical skills of the fellows.

Now Bahrain is at the sixth intake of the Prime Minister's Fellowship Programme, which highlights the importance of investing in the Kingdom's citizens to secure sustainable economic development. The youth of Bahrain play a significant role towards realizing the goals of the Kingdom's comprehensive development. Advancing the capabilities of government employees is a central goal that will be continued throughout all strategic development plans in Bahrain. The achievements of Bahrainis across various government agencies became visible, and support will continue to be provided to further enhance the capabilities of Bahrainis, which contribute towards the Government's overall development.

Participants are selected following a rigorous evaluation process and take part in a yearlong programme, which aims to further hone their professional development and leadership skills across areas of public service. the Fellowship's administrators are committed to modernize the programme's initiatives and ensure the returning fellows apply the knowledge they have retained during the program upon their return to their workplaces.

# Growth sectors

## Economy

The structure of the Bahraini economy has been transformed by a rapid process of economic diversification since the turn of the century. While the share of the hydrocarbons sector (crude oil and natural gas) more than halved in relative terms from 43.6% to 18.6% of GDP between 2000 and 2020, all other sectors with the exception of real estate have shown an increasing contribution to Bahrain's GDP.

In terms of each sector's contribution to GDP during 2020, the Financial Services sector remains the largest non-oil sector, contributing 17.9% to the GDP, followed by the manufacturing sector (14.3%) and the government services sector (12.9%).

Table 1: Compound annual growth rate GDP, 2010-20

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | Year 2010 | Year 2020 | CAGR % | 2010 share of GDP (%) | 2020 share of GDP (%) |
| **Real GDP (USD million)** | **25,713.28** | **32,793.76** | **2.5%** | **100.0%** | **100.0%** |
| Crude oil and natural gas | 5,429.47 | 6,105.71 | 1.2% | 21.1% | 18.6% |
| Non-oil sector | 20,283.81 | 26,688.05 | 2.8% | 78.9% | 81.4% |
| Manufacturing | 3,714.18 | 4,669.26 | 2.3% | 14.5% | 14.3% |
| Construction | 1,914.30 | 2,491.47 | 2.7% | 7.4% | 7.6% |
| Trade | 1,201.86 | 1,418.10 | 1.7% | 4.7% | 4.3% |
| Hotel & Rest. | 693.05 | 482.71 | -3.6% | 2.7% | 1.5% |
| Trans. & Comm. | 1,720.98 | 1,809.99 | 0.5% | 6.7% | 5.5% |
| Social & Pers. Serv. | 1,176.37 | 1,891.14 | 4.9% | 4.6% | 5.8% |
| Real Est. & Bus. Act. | 1,591.47 | 1,739.95 | 0.9% | 6.2% | 5.3% |
| Finance | 4,511.50 | 5,875.43 | 2.7% | 17.5% | 17.9% |
| Government | 2,697.71 | 4,218.10 | 4.6% | 10.5% | 12.9% |
| Other | 1,052.71 | 2,081.52 | 7.1% | 4.1% | 6.3% |

According to preliminary GDP results for Q1 2021, Bahrain's economy witnessed growth in nominal terms of 0.3% on an annual basis and 1.5% on a quarterly basis, while real GDP registered a drop of 2.1% on an annual basis and remained consistent on a quarterly basis with a slight drop of 0.1% compared to the previous quarter. Sector performance in Q1 2021 reflected signs of recovery with the ongoing efforts to counter the effects of the pandemic, especially with the extension of various support initiatives under the Stimulus Package and the successful vaccination campaign run by the Kingdom. The transport and communications sector led the way in terms of quarterly growth, with a 6.5% nominal growth and 8.2% real growth. By contrast, the hotels and restaurants sector is still hampered by the effects of the pandemic registering the biggest annually decline.

## Financial services

The financial services sector is one of Bahrain's strongest assets. Not only does it contribute heavily to the country's GDP, but it is also one of the most important employers in the economy, providing around 13,737 jobs, with the highest average wage of any sector.

In 2020, the financial sector represented 17.9% of real GDP. There is a growing market demand for financial services and products, particularly for Islamic financial instruments. The Bahrain Financial Harbour and the Bahrain World Trade Centre, and Bahrain Bay along are some of the witnessed projects that have successfully developed since 2005.

Bahrain is currently home to 370 financial institutions (as of December 2020), with total Banking Assets of USD 207.4 billion at December 2020.

Bahrain has become host to the largest number of Islamic banks in the world, as well as a growing support industry. There are 46 Islamic financial institutions, which includes banks, insurance companies and investment funds.

Insurance is a well-developed industry in Bahrain (11 foreign insurance firms, 22 locally incorporated insurance firms.), and has an important growth potential.

As part of the Central Bank of Bahrain's ongoing initiatives towards financial digital transformation in the Kingdom and developments in digital financial services, the CBB established a dedicated Fintech & Innovation Unit to ensure that best services are provided to individual and corporate customers in the financial services sector by encouraging an agile regulatory framework that fosters FinTech and innovation.

This follows the CBB's other initiatives, which include introducing a Regulatory Sandbox that will allow startups, FinTech firms and licensees to provide innovative banking and financial solutions, in addition to the issuance of a host of new regulations such as but not limited to, crowdfunding regulations, open banking regulations, cryptoasset regulations for both conventional and Sharia‑compliant services.

The CBB's FinTech & Innovation Unit is also responsible for the approval process to participate in the Regulatory Sandbox, supervision of authorized Sandbox companies' testing progress, monitoring technical and regulatory developments in the FinTech field, both regionally and internationally, to lead on strategic FinTech initiatives and to work closely with all stakeholders within the FinTech ecosystem in the Kingdom and to collaborate with regulators regionally and internationally to share experiences and learnings and to embark on cross-border trials.

FinHub 973, by the Central Bank of Bahrain (CBB), is the region's first cross-border, digital innovation platform that connects and facilitates collaboration between financial institutions and FinTech's under the supervision of the central bank. Powered by Fintech Galaxy, FinHub 973 enables local and global fintech's to connect seamlessly with Bahrain's financial institutions for exploring, testing, and prototyping on a centralised digital sandbox. FinHub973 integrates the technical testing and validation of digital solutions with the regulatory framework of the CBB. The platform also showcases qualified FinTech's for collaboration, procurement, partnerships, and investment within Bahrain's ecosystem, while also interfacing with regulatory authorities to facilitate quicker and easier regulatory testing and supporting business scalability.

The Global Financial Innovation Network (GFIN) was formerly launched in January 2019 by an international group of financial regulators and related organisations, including the Financial Conduct Authority (FCA). This built on the FCA's early 2018 proposal to create a global sandbox. The GFIN is a network of 60 organizations committed to supporting financial innovation in the interests of consumers. The CBB is a member of the 'Co-ordination Group' within GFIN, which is the highest tier of membership.

The GFIN seeks to provide a more efficient way for innovative firms to interact with regulators, helping them navigate between countries as they look to scale new ideas. This includes a pilot for firms wishing to test innovative products, services, or business models across more than one jurisdiction. It also aims to create a new framework for cooperation between financial services regulators on innovation related topics, sharing different experiences and approaches.

Bahrain is recognized as the global leader in Islamic finance, ranking 1st in MENA and 2nd globally for Islamic finance development (ICD 2019). We set the benchmark early for Islamic banking regulation by establishing the Bahrain Islamic Bank in 1978, and have nurtured the concepts, rules, and standards of Shari'a banking compliance in Islamic banks ever since. In this way, we are able to cater to the needs of both mainstream Islamic finance and the new breed of FinTech entrepreneurs who offer Shari'a-compliant products. Our continued focus on innovation and customer service has made Bahrain a top destination for Islamic finance development.

Bahrain has the highest concentration of Islamic finance institutions in the region: 10 wholesale Islamic banks and 6 retail Islamic banks. A highly connected ecosystem, our expertise spans every area of Islamic financing, from asset management and Sukuk issuance to Shari'a‑compliant insurance and reinsurance.

Bahrain, currently home to 6 Takaful firms and 2 Retakaful firms, is the ideal jurisdiction for the industry. The Central Bank of Bahrain has also implemented the new Takaful model which enhances solvency status assessment of these firms. Total Islamic banking assets held in Bahrain stood at USD 31.6 billion in 2020, making it one of the region's largest Islamic finance and banking markets. The Central Bank of Bahrain is continuously implementing new initiatives and policy tools to further develop Bahrain's standing in Islamic finance, most recently: a new Takaful model and a new Shari'a-compliant Wakalah investment tool.

Bahrain is home to several international financial institutions, for example American Express Middle East, HSBC, Citibank, BNP Paribas, Standard Chartered, State Bank of India, among others.

FinTech, the intersection of finance and technology, is experiencing unprecedented industry growth across the globe, none more so than in the Middle East. At the heart of this digital transformation, Bahrain is continually evolving its long-established financial services ecosystem to unlock opportunities for FinTech ventures and global financial institutions with a digital agenda. Bahrain is home to MENA's leading FinTech hub, Bahrain FinTech Bay, which provides facilities including dedicated coworking, innovation labs, advisory services, and collaboration platforms.

The transformation of Bahrain's FinTech ecosystem has been driven by unmatched regulatory reform, paving the way for emerging industries including crowdfunding, InsurTech, robo-advice and crypto-asset platforms. The Central Bank of Bahrain is continuously reforming policies to enhance the activity, funding, quality, and competitiveness of financial sector services.

In 2016, The Central Bank of Bahrain pioneered a regulatory sandbox that allows FinTech firms and digitally focused financial institutions around the world to test new products and services in Bahrain. Since its inception, the sandbox has nurtured a number of innovative FinTech businesses, including the Middle East's first licensed cryptocurrency exchange Rain.

The Central Bank of Bahrain introduced crowdfunding regulation to enable the establishment and growth of equity, debt-based and [Shariah-compliant](https://www.bahrainedb.com/business-opportunities/financial-services/fintech-and-payments/) crowdfunding activity.

Bahrain's highly connected economy and young, digitally adept population make it the perfect testbed for financial tech startups and scale-ups to launch, gain funding and expand into regional and even global markets.

# Trade policy

## Introduction

Being a traditional free market economy, and liberal trading country, Bahrain maintains a profound interest in its trade expansion and its investment growth. Accordingly, Bahrain's trade policy objectives are to ensure a fair and predictable international trading environment; allowing liberal access to international markets for its exports and minimize impediments to the flow of imports.

These goals are pursued through the sustained maintenance and enlargement of Bahrain's adherence and engagement with its trading partners multilaterally, regionally, and bilaterally. This would also contribute to the attainment of the long-term objectives of Bahrain's Economic Vision 2030, which aims for attaining sustainable development by moving towards economic diversification to increase economic viability; raise productivity levels and enhance Bahraini competitiveness as a knowledge-based economy.

At a very top level we strive to achieve our business-friendly aspiration by continuously working to reduce red-tape and creating an environment that makes it as easy as possible to invest and grow your business.

Bahrain has a liberal business environment – that offers 100% foreign ownership, coupled with comparatively lower operating costs as currently the cost of running a business in Bahrain is approximately comparatively 30% lower than other regional centres.

Import trade enjoys duty-free entry for basic raw materials, industrial inputs, and spare parts.

Bahrain's trading environment is stable and transparent. There are no import restrictions except for patrimonial heritage, environmental, health or security considerations.

There is a continuous discussion between the different government entities and the private sector whereby consultations are undertaken on how to improve and develop the services provided to further enhance the development of Bahrain's economy which stems from the firm belief that the Government is a regulatory entity and that the economy is driven by the private sector.

## Bahrain and the Region

### GCC Membership

Bahrain as a member of the Cooperation Council for the Arab States of the Gulf (GCC), works with the rest of the GCC member countries to facilitate intra-GCC trade and investment as well as developing unified trade and economic related laws, most recently the GCC Unified Consumer Protection Law and the law amending the Law Regulating the GCC Patent Office that was approved by the GCC Supreme Council in its meeting in Al'Ula in January 2021.

The GCC countries are evaluating the feasibility impacts of negotiating Free Trade Agreements (FTA) with other countries and regions in order to finalize the priorities of negotiations in this regard.

The GCC has concluded a Free Trade Agreement (FTA) with Singapore, which came into force on 1 of September 2013. Bahrain and GCC signed the European Free Trade Association (EFTA), which came into force on 1 July 2015, according to Law No. (7) 2012. In active negotiations with 6 countries for new FTA'S.

### GAFTA membership

Bahrain is a founding member of the Greater Arab Free Trade Area (GAFTA), which was signed on 19 February 1997 and entered into force on 1 January 1998. Currently the Arab league is in discussions about setting the concept of the Arab Customs Union.

## Bilaterals

Bahrain enjoys a number of bilateral agreements and MOUs with brotherly and friendly countries including an FTA with the United States, 35 agreements for the protection and promotion of investment, four entered into force during the review period, 41 avoidance of double taxation agreements[[1]](#footnote-1) were also signed during the review period, along with food security-related MOUs.

Additionally, there are high-level joint committees with a number of countries which facilitates on-going discussions between both sides on different range of subjects including the encouragement and facilitation of bilateral trade and investment.

## Bahrain and the WTO

Bahrain is a founding Member of the WTO and is fully applying the trade facilitation agreement 2 years ahead of the planned timeline which was notified to the Secretariat of the WTO.

The Kingdom of Bahrain was one of the first member of the WTO, which ratifies the Trade Facilitation Agreement (TFA). Bahrain notified all the measures under category (A, B, C) to the WTO. Kingdom of Bahrain has notified 32 measures under Category A, 12 measures under category B, and 2 measures under category C.

Bahrain is actively participating in the various WTO negotiations and positively engages in discussions with the WTO Members.

As a small economy, Bahrain endorses the application of the Special and Differential Treatment for developing and small economy countries and values the fairness and objectivity of WTO's Dispute Settlement Body.

ANNEX I: TRADE RELATED TECHNICAL ASSISTANCE

Bahrain's technical assistance requirements include the following areas:

1. Enhancing Aid for Trade related technical and institutional support, within the WTO and other relevant international institutions and funds.
2. Supply-chain infrastructure enhancement, and adjustment needs support.
3. IPR institutional upgrading, and HRD.
4. Sanitary and Phytosanitary (SPS), Technical Barriers to Trade (TBT), and Standards institutional upgrading, notifications, awareness and HRD.
5. Multilateral Trade Negotiations (MTN) and FTAs Negotiating Skills upgrading, and HRD.
6. Export promotion technical and institutional support.
7. Trade capacity building, and competitiveness enhancement, awareness, and networking.
8. Enhancing institutional capacity and export potential for SMEs, as well as in negotiations and implementation of trade in goods and services agreements.
9. Development of competition policy and legislation.
10. Ensuring Bahrain's participation in national, regional, and international HRD and training programmes for government, parliamentarians, and private sector, whether at WTO or other relevant agencies.

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1. Algeria, Austria, Barbados, Belarus, Belgium, Bermuda, Brunei, Bulgaria, China, Czech Republic, Egypt, Estonia, France, Georgia, Hungary, Iran, Ireland, Isle man, Jordan, Lebanon, Luxembourg, Malaysia, Malta, Morocco, Mexico, Netherlands, Pakistan, Philippines, Republic of Korea, Seychelles, Sudan, Singapore, Sri Lanka, Switzerland, Syria, Thailand, Turkey, Turkmenistan, United Kingdom, Uzbekistan, Yemen. [↑](#footnote-ref-1)