



Bahrain – a brief overview

Bahrain - which name means "two seas" - has made great efforts to diversify its economy to reduce its heavy dependence upon oil. Its highly developed communication and transport facilities make Bahrain home to numerous multinational firms with business in the Gulf. Further, Bahrain also diverted its focus to petroleum processing and refining to capitalize on its indigenous resources. Other major economic activities are production of aluminum - Bahrain's second biggest export after oil - finance, and construction. Bahrain competes with Malaysia as a worldwide center for Islamic banking. However, it continues to seek new natural gas supplies as feedstock to support its expanding petrochemical and aluminum industries.

In 2011 and 2012, Bahrain experienced economic setbacks as a result of domestic unrest; since then the economy is beginning to recover. Economic policies aimed at restoring confidence in Bahrain's economy, such as the suspension of an expatriate labor tax and frequent bailouts of Gulf Air, are being followed, while issues of youth unemployment and the growth of government debt make its long-term economic challenges formidable.

Key Industries of Bahrain

Main industries of Bahrain are petroleum processing and refining, aluminum smelting, iron pelletization, fertilizers, Islamic and offshore banking, insurance, ship repairing and tourism. Its agricultural products include fruit, vegetables, poultry, dairy products, shrimp and fish.

Bahrain's major trading commodities and partners

Bahrain's major exports are petroleum and petroleum products, aluminum and textiles. Its main export partners are Saudi Arabia, India, UAE, South Korea. The major imported commodities are crude oil, machinery and chemicals. The main import partners are Saudi Arabia, US, China, Japan, India, and France.

Bilateral and Trade Relations between Pakistan and Bahrain

Bilateral relations between Pakistan and Bahrain are cordial and very deep rooted. It is evident from the fact that during 1930s the Bahraini people utilized the legal expertise of Quaid-e-Azam Muhammad Ali Jinnah – the Founder of Pakistan, in handling a legal dispute with the British authorities. Later, Pakistan had also reportedly helped Bahrain set up its naval forces and 18% of the Gulf state's air force comprises Pakistani personnel.

There are over 400 companies currently operating in Bahrain which are either jointly or wholly owned by Pakistani investors. Moreover, there are some 100,000 Pakistan nationals living and working in Bahrain, in all walks of life, and in both the public and private sectors. However, trade between the two countries has remained depressed over the years. In FY14, Pakistan exported goods worth \$ 110.8Mn increasing by 34% as against FY13 while commodities imported from Bahrain were worth \$ 71.6Mn in FY14 declining sharply by 58% as compared to FY13. Pakistan exports cereals, meat, fish, cotton, plastics and its articles, fruits, nuts, leather and its chemicals, iron and steel and textile and articles to Bahrain. Pakistan mainly imports oil from Bahrain.

Trade agreements between Pakistan and Bahrain

In a bid to promote trade, 17 agreements were signed during the state visit of King Hamad bin Isa Al Khalifa in March 2014 which also included Bilateral Investment Treaty. Other agreements were in the areas of petro-chemicals, halal food, vegetable oil, livestock, rice, and engineering services. The Board of Investment (BoI) and the Economic Development Board (EDB) of Bahrain also entered into a Memorandum of Understanding (MoU) to promote business. BoI and EDB agreed to facilitate business meetings and exchange of delegations of the two countries in addition to bilateral visits, organization of road-shows, exhibitions and business forums. The sectors identified for such interaction include healthcare and education, food, textiles, manufacturing, financial services, ICT and professional and commercial services.

In 2012, an agreement was reached between Bahrain Chamber of Commerce and Industry and the Karachi Chamber of Commerce to double bilateral trade by 2017. Pakistan has also been working for an early conclusion of Free Trade Agreement (FTA) with GCC which would consequentially result in an FTA with Bahrain as well.

Potential for enhancing trade and investment

- Pakistan should identify fields of cooperation with Bahrain govt. through which both the countries can enhance trade volume. There are many lucrative sectors for investment in Pakistan like halal and processed food, agriculture, livestock, power and construction.

- Bahraini businesses involved in halal products, one of the fastest growing industries in the world, have a great potential at hand by collaborating with Pakistani food businesses.

- With interest rates hovering around 10% in Pakistan, with an even higher Return-On-Investment, Pakistani market holds substantial investment potential for Bahraini investors. Pakistan's equity market is among the world's top performing markets, recording around 40% return on the KSE-100 index in FY14. Moreover, Pakistan has a very liberal investment policy with 100% repatriation of profit and 100% equity investment. Bahraini businesses can capitalize on abundant low cost labor and other resources to set-up extend their operations in Pakistan both on 100% equity and JV basis.

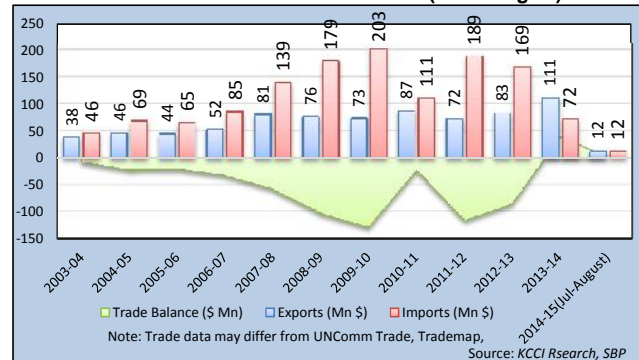
- Bahrain has energy, infrastructure and finances, Pakistan needs all these ingredients for economic development to bring the two countries much closer.

Economic Indicators

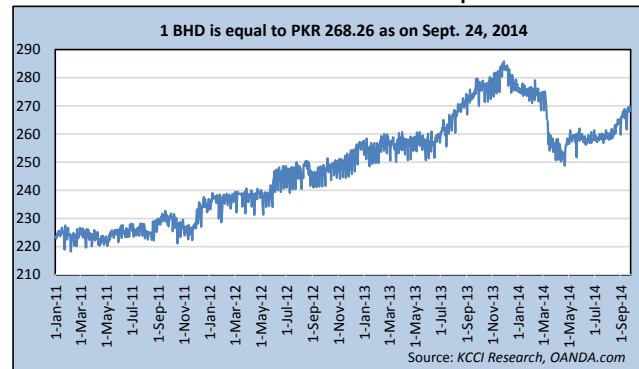
Table with 5 columns: Indicators, Unit, 2012, 2013, Change. Rows include GDP (PPP), GDP per Capita, GDP growth, Forex Reserves, External Debt, Exports, Imports, Trade Balance, Current Account, CPI, Unemployment, and Discount Rate.

Sources: KCCI Research, CIA Factbook

Trade between Pakistan & Bahrain (FY04-Aug'14)



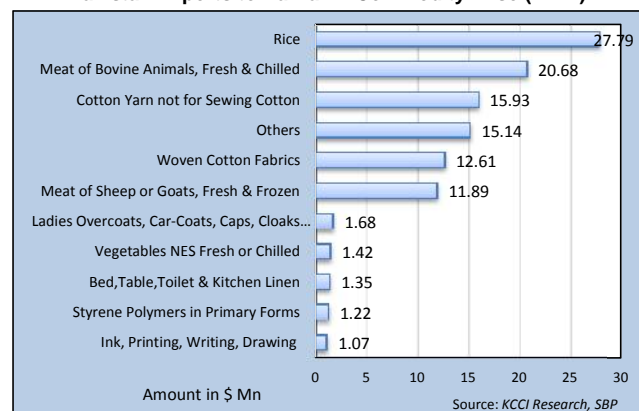
Bahraini Dinar Vs. Pakistani Rupee



Key Memberships

FAO, IAEA, IBRD, ICAO, ICC (national committees), ICRM, IDA, IDB, IFC, IFRCs, IHO, ILO, IMF, IMO, IMSO, Interpol, IOC, IOM (observer), IPU, ISO, ITSO, ITU, MIGA, NAM, OAPEC, OIC, OPCW, PCA, UN, WCO, WFTU (NGOs), WHO, WIPO, WMO, WTO

Pakistan Exports to Bahrain - Commodity Wise (FY14)



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