

## DEVELOP A GLOBAL PARTNERSHIP FOR DEVELOPMENT

**Target:** Develop further an open trading and financial system

**Target:** Make available the benefits of new technologies

### Performance Summary

Will Development goal be reached?

**Possibly-Probably-Unlikely-Lack of Data**

**State of Supportive Environment**

**Strong-Fair-Weak but Improving-Weak**

### Status and Trends

#### Foreign Trade

Bahrain a founding member of the World Trade Organization (WTO), with a liberal approach to foreign investment is committed to promote a favorable business environment. From the foreign investors' point of view, Bahrain offers advantages such as non-discriminatory financial regulations, efficient procedures and political stability. The country has recently passed laws for anti-money laundering and liberalized foreign property ownership, while currently is in the process of passing several laws to protect industrial and intellectual property rights.

Bahrain, the financial hub of the Gulf region, has over 100 banks and financial institutions (48 off-shore ones) operating from Bahrain with assets exceeding US\$ 100 billion. On the other hand, the GDP in 2001 was estimated at US\$ 7.934 billion, and the GNP was US\$ 7.604 billion. The GNP per capita was estimated at US\$ 10,615. Imports in 2001 amounted to 59.5 per cent of GDP, with the major countries importing from including Australia, Saudi Arabia, Japan, USA, and UK. Exports, on the other hand, amounted to 77 per cent of GDP, with major countries exporting to including USA, Saudi Arabia, Taiwan, UAE, and India. The Balance of Trade was positive US\$ 1,272.3 million.

#### Debt

According to government sources national and international debt is approximately BD 900 million (\$=BD 0.376) or US\$ 2.4 billion, while other sources put the figure at US\$ 2.8 billion. Interest paid on debts in 2001 amounted to BD 52 million (US\$ 138 million), which is equivalent to 6.2 per cent of the total expenditures (BD 833 million). Currently, the debt service is relatively low, although, it can grow rapidly into a major component in the government budget unless it is closely monitored.

#### Communication Technology

Bahrain stands at the forefront among the Arab countries in benefiting from the new communication technologies. According to the MDG survey 51 per cent of the families have at least one PC and 8.4 per cent have two PCs or more. On the other hand, 26.5 per cent were connected to internet while 11.4 per cent of the families have one or more members visiting internet cafés. Likewise, 89.8 of the families have at least one mobile and 65 per cent have two mobiles or more. The number of mobile telephones increased from 133,468 in 1999 to 205, 727 in 2000 to 300,829 in 2001, an increase of 225 per cent over 1999-2001. TV satellites exist in 82.1 per cent of the families.

#### **Challenges to Achieving the Goal**

Maintaining a steady improvement in the level of welfare of the population, in light of the limited natural resources and high population growth, is a major challenge for the Kingdom. In addition, due to the small size of its open economy, Bahrain has no protection against regional or global turbulences, especially instability in the oil market. This, in turn, reduces strategic planning of economic development to mere reactionary scenarios of which the elements of success are positioned outside the country.

Since independence in 1971, the government of Bahrain has been perusing a heavy socially-oriented doctrine that produced an impressive human development capital, although, it has not been fully utilized. This policy, which have been made possible by the oil revenue, however, may not be an option for long, and consumers, whether private citizens or production units, that are currently enjoying free or highly subsidized services such as health, education, fuel, utilities, housing, etc., may have to pay the real cost. A gradual taxation system should be introduced not only to diversify the government revenue but also to improve the efficiency level of the use of depleteable resources. On the other hand, well justified social programmes can be designed to protect the welfare of the genuinely needy families.

*Bahrain is committed to promote a favorable business environment.*

*Bahrain is the financial hub of the region with over 100 banks and financial institutions.*