

## Bahrain

### Advertising and editorial information

*The Gulf* plans to publish this report on 1 February 2011.  
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This special report is part of *The Gulf's* series of monthly reports on energy, industry and finance in the countries of the Gulf Co-operation Council. For a full list of special reports, please see below.

*We plan to include the following articles. (Please note this list is provisional)*

#### **1. Introduction**

Bahrain, home to one of the more diverse economies in the region, has weathered the financial crisis relatively well. Next year the International Monetary Fund expects Bahrain's economy to grow by 4.8 per cent. Yet despite efforts to diversify the economy, Bahrain is still heavily dependent on oil and its government finances are among the weakest in the region. Revenues from oil make up more than 75 per cent of total export income and around the same share of government earnings. The oil price needed to balance the government budget has soared from \$30 a barrel in 2004, to almost \$80 a barrel in 2009. Such imbalances are however being addressed. In 2008, Bahrain launched Vision 2030, an ambitious blueprint aimed at strengthening the private sector, shrinking the country's reliance on oil, and developing a skilled workforce. This introductory article looks at Bahrain's plans, and assesses the country's strengths and weaknesses as it strives to create a balanced economy.

#### **2. Islamic finance: facing competition**

Bahrain, widely believed to be home to the region's best regulated financial services industry, has wisely sought greater specialisation in Islamic finance. Islamic banks have however suffered over the course of the downturn, and Bahrain's position as a leader in Islamic finance is threatened by rising competition from the East, and from its neighbours in the Gulf. We look at how Bahrain can retain its lead.

#### **3. Oil and gas: reversing declines**

The first country in the region to discover oil, Bahrain now has the lowest reserves in the Gulf. But it is undertaking several major projects which it hopes will reverse declining output. It also hopes to discover fresh reserves from new onshore and offshore fields. We look at the future of Bahrain's hydrocarbon resources and the country's efforts to reduce dependence on fuel imports.

#### **4. Heavy industry: driving forward**

More than anything, the financial crisis and the resultant downturn in Bahrain's economy have emphasised the need to reduce its reliance on oil and financial services. One focus is manufacturing, with a view to replicating the success achieved by the country's aluminium industry. Bahrain is also trying to attract more investment in downstream industries. We examine Bahrain's efforts to stimulate heavy industry.

## **5. Ports and Logistics: gateway to the northern Gulf?**

Bahrain is positioning itself to become a logistics springboard for companies serving the northern Gulf. It has ploughed money into a new super port, a logistics zone and industrial investment park to attract foreign investment and support its strategic ambitions. However, Bahrain faces stiff competition from its neighbours. We assess Bahrain's drive to become the gateway to the northern Gulf.

## **6: Labour reform: on the move**

Bahrain was the first Gulf country to reform its labour system, and phase out the widely-criticised 'kafala' or sponsorship system for foreign workers. It has also introduced measures to reduce the appeal to employers of hiring foreigners over nationals in an effort to address employment imbalances. There is however still a shortfall in jobs. We look at Bahrain's efforts to overhaul its labour system, and assess programmes to provide more skills and training.

## **7. Telecoms: too crowded?**

Bahrain was the first Gulf country to liberalise its telecoms market, and is now home to three mobile operators. Increased competition has already driven down prices, and helped to improve quality of services. But in a small, crowded market where can operators look for revenue growth?

## **8. Key companies**

This section includes corporate profiles of Bahraini companies or firms based in Bahrain who are leading the country's diversification drive.

## **9. Guest column**

This piece, by a prominent business leader, offers insightful commentary into a key area of Bahrain's economy.

## **About *The Gulf***

*The Gulf* is the region's leading publication focused on business and economics in the Gulf Co-operation Council (GCC). Designed for any reader with a serious interest in the region, *The Gulf* brings analysis, features, insight and interviews with business leaders and policy-makers to its thousands of readers, both in print and online. With an audited circulation of more than 14,000, *The Gulf* has one of the widest guaranteed distributions of any monthly business publication in the GCC, with direct access each month to more than 50,000 senior executives regionally and internationally. *The Gulf* offers insight into key markets including Saudi Arabia, Qatar and the fast-growing emirates of Abu Dhabi and Dubai. News from 20 market sectors, ranging from energy to capital markets, is supported by an analysis of business trends and topical issues, helping readers stay informed about changes in one of the world's most dynamic regions.

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