

Bahrain: The U.S.'s partner in the GCC

The U.S.'s private sector is a priority for the economically invigorated kingdom

Historically famous as the trading hub of the Middle East, in 1932 the smallest country in the Gulf Cooperation Council (GCC) region became known as the first in the Arabian Gulf to discover oil. More recently, the modern and cosmopolitan archipelago has coped with increasing competition from other GCC states by enhancing its industrial capabilities, keeping pace with global changes and developments, and vigorously taking advantage of market opportunities.

This decisive attitude is attributed to Bahrain's Prime Minister Prince Khalifa bin Salman Al Khalifa and has led to a sustained chain of efforts and sacrifices being made to achieve planned targets and explore future horizons. "Our comprehensive approach is based on pursuing a development strategy that is aimed at diversifying income sources and building an economy capable of competing globally," explains Prince Al Khalifa. The success of this approach has enabled Bahrain to achieve high economic growth rates and be at the forefront in many sectors, most evidently in the financial services sector, with the kingdom now home to 325 financial and insurance institutions.

Bahrain's real gross domestic product (GDP) increased by 3.9 percent overall in 2017 and non-oil sectors grew by 5.0 percent, making it the fastest growing economy in the GCC region. At the same time, foreign investment reached nearly \$10 billion, 95 percent of which is concentrated in the financial sector, and major projects worth \$32 billion have been established in industry, logistics, infrastructure, health care, education and tourism. "Why is Bahrain growing while no one else was? The answer is simple: because the government of Bahrain is not a major player in the economy," says Mahmood H. Al-Kooheji, CEO of Mumtalakat, Bahrain's sovereign wealth fund. According to him, the main difference is that the country's private sector is vibrant and active: "When oil prices went down, all of the surrounding economies suffered. But 80 percent of Bahrain's GDP is non-governmental and it is the private sector that is carrying the country forward.

U.S.-Bahrain relations: 120 years of friendship

Much before their GCC neighbors, states Prime Minister Prince Khalifa bin Salman Al Khalifa, Bahrain's government pushed hard for the private sector through various privatization programs. "It was also a pioneer in labor reforms and we were able to secure a positive commercial environment that led to it becoming the first country to sign a free trade agreement with the U.S. in 2006," adds Al-Kooheji. As a result, the U.S. is now Bahrain's second-largest trading partner, with 11 percent of its total exports going to its Western ally and nearly 9 percent of its imports coming from there, giving a shared trade value of over \$2 billion a year. Bahrain also shares the U.S.'s commitment to democracy, equality and encouraging popular participation. The country holds regular municipal and parliamentary elections every four years, and on 24 September, the prime minister issued a decree announcing that the next ones will take place simultaneously on 24 November.

In 1995, Bahrain started acting as host to the U.S. Navy's Fifth Fleet—another milestone in the 120 years of close friendship that Bahrain's King Hamad bin Isa Al Khalifa hailed on meeting President Donald Trump in 2017, noting that it was "based on a very good foundation of mutual understanding and



U.S. President Donald Trump and King Hamad bin Isa Al Khalifa

strategy that we have worked on." Bahrain's prime minister is keen to ensure that the kingdom's ties with the U.S. remain strong and to continue boosting cooperation between the two as long-term allies, while adding that a friendly relationship with the U.S. is important not only for the kingdom but also for the wider region: "The U.S. is a superpower that has political and economic weight, and plays a vital role in maintaining global security and stability."

Bahrain's government has given Mumtalakat a mandate to manage, improve and enhance the kingdom's assets, and to further diversify its economy into new areas of interest. Within this, the U.S. market is a clear priority, says Al-Kooheji: "Four years ago, Mumtalakat had zero investments in the U.S. Today, they comprise 8.3 percent of our portfolio. It is, and will continue to be, a very promising economy." As a sovereign wealth fund, Mumtalakat functions like any financial institution—it is run completely commercially and all decisions are based on financial review. It is currently invested in the U.S. education, services and real estate sectors, and is particularly interested in further investing in health care, education and renewable energies. "Commercially," declares Al-Kooheji, "all of these are viable."

Major new oil and gas discoveries

Bahrain Prime Minister Prince Khalifa bin Salman Al Khalifa points to another factor that could dramatically invigorate the kingdom for many years to come and bolster its foreign investment—2018's massive offshore discovery of an estimated 80 billion barrels of oil and 10-20 trillion cubic feet natural gas. Bahrain's biggest oil and gas find in decades is likely to attract significant private international investment to the country's energy sector, which has previously been fairly closed to investors. And the government is doing all it can to help this by, for example, setting up a private equity fund for energy of \$500 million to \$1 billion.

This significant discovery is set to have a substantial impact on the kingdom's economic and fiscal strength, but the government has no intention of turning away from its core strategy of diversification, through the efforts of Mumtalakat, and maintaining a business environment that enables the private sector to continue to be the engine of impressive economic growth.

Their country, our opportunity

A new, unified focus on tourism as an industry brings growth to the sector

Bahrain is seeing a substantial increase in visits to its islands for business or leisure, states Shaikh Khaled bin Humood Al Khalifa, CEO of the Bahrain Tourism and Exhibitions Authority (BTEA): “Tourist numbers grew from 9.7 million in 2015 to 11.4 million in 2017, a 17.5 percent increase.

Over the same time, average length of stay went up 24.8 percent to 2.8 nights.” Also since 2015, “Tourism has doubled its contribution to almost seven percent of our gross domestic product,” says Minister of Industry, Commerce and Tourism Zayed R. Alzayani. His ministry’s goal is to make Bahrain more business-friendly and, for tourism, this has included redrafting laws relating to the sector and creating the independent institution BTEA. “In the past, various organizations promoted Bahrain,” explains Al Khalifa; “Now, everything is under BTEA’s umbrella and we have a unified message—“Ours. Yours”—reflecting Bahrainis and their hospitality.”

A strategy for continued success

BTEA’s strategy for the continued development of tourism is based on “four As: attractions, accessibility, accommodation and awareness,” says Al Khalifa. Having existed for 5,000 years, Bahrain already has plenty of unique attractions, such as ancient remains, bustling markets and pearl diving. But it is also developing new ones, he notes, “BTEA has invested in a development company that focuses on projects like new beaches and waterfront properties. “We are also building a new exhibition center which, once functional in 2021, will be the largest in the Middle East.” This center will allow Bahrain to host more large-scale events. Created by BTEA alone, or with private-sector partners, these are a key aspect of the country’s tourism offering. Its 2017 Disney Show, for example, attracted 27,000 people to Bahrain.

To make its attractions more accessible, Bahrain is improving its flight network, starting charter flights, has upgraded the King Fahd Causeway road link to Saudi Arabia, is offering visas on arrival to Chinese and Russian citizens and is looking at enhanced 72-hour visas to encourage stop-overs. “Additionally, we have to make sure Bahraini accommodation fits visitors’ needs and demand, from more family-oriented hotel apartments to



Zayed R. Alzayani
Minister of Industry,
Commerce and Tourism



Shaikh Khaled bin Humood Al Khalifa
CEO, Bahrain Tourism
and Exhibitions Authority

multi-star beach resorts,” notes Al Khalifa. BTEA started awareness building by opening seven offices around the world and carrying out hugely successful business-to-business promotions that have created a boom in connections with tour operators and travel agents. Consumer awareness is also being boosted by heavily advertising on top television channels and websites, such as the Saudi booking agency almosafer.com, where a promotion on just one evening resulted in 8,000 nights being booked. However, Al Khalifa believes that the kingdom’s biggest promotional tool is its citizens: “They are open minded and welcoming to all. So, come to Bahrain—because what is ours, is yours.”

Investment in water and energy

“Within five years, we expect investment of around \$4 billion in electricity, water and renewables. We currently have sufficient electricity and water, mostly from the private sector, but demand could grow by at least 6 percent a year. Therefore, we are increasing capacities at our Al-Dur water and power plant, for which we are now receiving and evaluating bids. A major goal is to be a leader in green energy, so I have created a center for renewable and efficient energy, and our aim is to stop relying 100 percent on gas by moving to 10 percent solar and wind, and then increasing the share of renewables progressively.”



Dr. Abdul-Hussain Ali Mirza
Minister of Electricity and Water Affairs



Enabling the private sector to become the engine of growth

Bahrain’s economic strategy is focused on diversification, especially into new emerging sectors, either by supporting Bahraini enterprises or attracting leading international businesses to the kingdom.

Launched by King Hamad bin Isa Al Khalifa, Bahrain’s Economic Vision 2030, which is guided by sustainability, competitiveness and innovation, lays the foundations for these new economic opportunities. Underlying the vision, Tamkeen (the Bahrain Labour Fund) was formed to help develop and strengthen the private sector, and pave the way for Bahrain’s diversification into a technology-driven, knowledge-based and globally competitive economy.

“One of Tamkeen’s key mandates is to ensure the proactive nurturing of a sustainable ecosystem supported

by dynamic enterprises and quality talents,” says CEO Dr. Ebrahim Mohammed Janahi; “Since its establishment in 2006, Tamkeen has injected close to \$3 billion for the training of more than 125,000 individuals (38 percent of Bahrainis in the private sec-

Bahrain is an attractive hub for international and local startups, and for emerging new sectors

tor workforce), as well as over 45,000 businesses, representing 53 percent of active businesses on the island.”

And while Bahrain may be the smallest Gulf country, it has significant entrepreneurial potential due

to its business-friendly ecosystem of startups, investors, accelerators, incubators, business networks, and advisory and mentorship platforms that are all geared towards a dynamic technology and innovation-based economy. Today, therefore, Bahrain is an attractive hub for international and local startups, and for emerging new sectors, such as fintech, cloud computing and regional gaming.

Tamkeen has changed the dynamics of the private sector by empowering businesses and individuals to grow and develop through, for example, grants, subsidized financing and advisory services such as mentoring and coaching. These resources have enabled recipients to rise to the challenges of improving productivity, embracing innovation, participating in international markets, and build-



Dr. Ebrahim Mohammed Janahi
CEO, Tamkeen

ing long-term commercial resilience and sustainability.

Tamkeen has recently become an even more active participant in the strategy to create a competitive and resilient economy through a new support pillar of investment-related activities for Bahrain’s private sector. “At Tamkeen,” Janahi concludes, “our mission is to provide the solutions that allow the private sector to truly be the driver and engine of economic growth.”

Contributing to the Kingdom of Bahrain’s economic growth since 2007



Tamkeen – the Labour Fund – is a national public authority established in the Kingdom of Bahrain in 2006 with the aim of investing in the development of human resources and economic growth. It offers extensive support schemes and services for both individuals and businesses to promote the scaling up of Bahrain’s ecosystem.

 tamkeenbahrain



A focus on infrastructure

From energy to telecommunications and transport, Bahrain is investing in world-class infrastructure

A \$32-billion infrastructure investment program is underway in Bahrain that includes landmark transport, telecommunications and energy projects.

Minister of Transportation and Telecommunications Kamal Bin Ahmed Mohammed says more investment in his sectors is important: “Bahrain is an island and the gateway to the Gulf Cooperation Council (GCC), so logistics—moving people, goods and information—are vital. For example, we are in talks to build a second causeway with Saudi Arabia and to link to the GCC railway project, and we are constructing a new terminal at Bahrain International Airport (BIA), to increase capacity to 14 million passengers a year.”

Landmark airport modernization project

“Competitive, efficient and friendly,” BIA is the kingdom’s gateway says Mohamed Yousif Al-Binfalah, CEO of Bahrain Airport Company (BAC), which is responsible for BIA’s operation and was formed in 2008 as one of Bahrain’s first privatizations. Built in the 1970s and expanded in 1994, the current terminal of the GCC’s first international airport has a capacity of around four-million annual passengers. However, he notes: “The country’s economic growth has seen the terminal stretched and BIA now processes nine million passengers per year with these constrained infrastructure resources, which is a challenging situation for BAC and its partners.”

Even with that challenge, BAC has run the airport profitably since 2010—and funded all of the airport’s operations, maintenance, and capital investments—and 2017 saw net profit rising 70 percent year-on-year to about \$34 million, reflecting a 20 percent spike in revenues to \$112 million. But to sustain operational and commercial excellence for travellers and stakeholders, the airport’s infrastructure, facilities and services needed elevating, so BAC developed a strategic roadmap for the future. “Through this strategy and in cooperation with our partners, BAC aims to increase the aviation sector’s contribution to the national economy,” says Al-Binfalah.

Launched in 2014, BIA’s modernization program has been fast tracked, construction is on time, over 60 percent complete and operational trials



Kamal Bin Ahmed Mohammed
Minister of Transportation and Telecommunications



Mohamed Yousif Al-Binfalah
CEO, Bahrain Airport Company

should start in spring 2019, says Al-Binfalah: “We are focused on serving customers through the new terminal by the third quarter of 2019.” Its design, he notes, “adheres to the highest environmental sustainability practices and it will be LEED gold certified for energy consumption and water conservation. We have also provided a robust information-technology platform, so the concept of a smart airport will be very easy to implement here.”

The design additionally takes into account projected passenger demands and aviation trends. “Passengers will have more contact gates, a dedicated road for BIA, and will be able to traverse the terminal more quickly than at any other regional airport,” he explains. “The duty free area will be four-times larger and retail areas three-times bigger, turning the airport into a key commercial hub. It will also have more food and beverage offerings, with SSP Group making its Bahrain debut, and a broad selection of local brands allowing the airport to treat all customers, even transit passengers, to a taste of Bahraini hospitality. In addition, there will be more lounges, an airside hotel, spa and clinic.”

Benefits for airlines include rehabilitated airport apron and aircraft stands, and a new fuel depot. “We are also working on a maintenance, repair and overhaul hangar, a general aviation terminal, and hope to start a runway upgrade soon,” says Al-Binfalah. All of these things should attract more international airlines and reinforce BIA as an aviation hub, a position it holds in part by offering the region’s most economical charges and fuel prices. Logistics companies will also welcome BAC’s upcoming new cargo area, with warehouses and aircraft parking, which is “part of our efforts to transform logistics and air cargo into one of Bahrain’s primary sectors,” he says. In this and throughout its modernization, the new BIA will enable diverse economic activity, and Al-Binfalah looks forward to “establishing private-sector partnerships to take advantage of the developments.”



شركة مطار البحرين
bahrain airport company



Ulaiyan M. Al Wetaid
CEO, VIVA Bahrain

As well as transport projects, the government is focused on telecommunications, stresses Mohammed: “The world is changing and a knowledge-based economy is what will differentiate countries in the future. Bahrain must ensure it has the correct infrastructure.” The United Nations ranks its current infrastructure as the world’s 11th best, 72 percent of the country is connected to a fiber-optic network and it has four international telecommunication cables. But, says the minister, “We need more diversity and capacity. We hope fiber-optic connections will reach 100 percent in 2020 and are in talks with investors to bring more international cables.”

The telecoms market leader drives change

The first country in the GCC to fully deregulate telecommunications, Bahrain has three operators: Batelco, Zain and market-leader VIVA Bahrain, a subsidiary of Saudi Telecom Company. VIVA CEO Ulaiyan M. Al Wetaid shares Mohammed’s view about the sector’s importance: “Telecommunications are the modern cornerstone for economic development. VIVA launched in 2010 aiming to transform the industry and take it to the next level in terms of technology, offering and contribution to people’s lives. Providing cutting-edge technologies helps create an infrastructure that is very supportive for growth.”

VIVA invests heavily in infrastructure and network upgrades, and developing unique voice, data and enterprise services for individuals and businesses. At the forefront of innovation and customer experience, it became market leader by 2012 and now offers the country’s best coverage and service, fastest speeds and clearest connections at some of the lowest prices. Amongst its many innovations, VIVA was the first operator in Bahrain to showcase 4G, supply true voice-over LTE and begin 4G+ services, and the first in the world to launch nine-beam antenna technology, which delivers about nine times the capacity of standard mobile towers. VIVA’s successful deployment of this at April’s Bahrain Grand Prix gave nearly 95,000 racegoers uninterrupted telecom services.

Its latest first came in June, when it became the first in Bahrain to introduce live 5G—a game-changing technology that will enable the Internet of Things, artificial intelligence and robotics. This early adoption of 5G is expected to drive the kingdom’s digital transformation, economic development, productivity and competitiveness. “Bahrain leads the Arab world in terms of telecommunications,” says Al Wetaid; “This is a result of collaboration from everybody, including our competitors. Everyday, we push ourselves and the industry to move forward. But being in a competitive market, competitors replicate each other’s successes, which pushes VIVA to do even better tomorrow.”

Collaboration is also vital for one of Bahrain’s major energy infrastructure projects: a 400 kV electricity transmission interconnector linking all GCC states as an emergency backup. “It will further improve the security and reliability of Bahrain’s power supply,” believes Hidd Power Company (HPC) Executive Managing Director Yahya Bin Yunus. HPC’s shareholders—currently Malaysia’s Malakoff, France’s Engie and Japan’s Sumitomo—own a power plant that has five gas and one steam turbine units, one of which will be directly connected to the interconnector.

“HPC supplies around 30 percent of Bahrain’s power and 60 percent of its potable water by producing nearly 1000 MW of power and 90 million gallons of water a day from 14 desalination units,” states Yunus; “We can’t afford to have breakdowns and work hard to ensure our processes are reliable, efficient, safe and clean. Making our plant as efficient as possible is particularly important,” he says, “so we have initiated discussions with turbine manufacturers to explore technical options.” In sentiments echoed by all involved in Bahrain’s infrastructure development, Yunus stresses that: “We are crucial to the country and our goal is to have a positive impact on the kingdom’s economy.”