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INVESTOR'S GUIDE TO BAHRAIN

This Guide was compiled on the basis of information provided by the Government of Bahrain. The United Nations Industrial Development Organization (UNIDO) does not accept responsibility for the accuracy or completeness of the information.

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EXPLANATORY NOTES

Reference to dollars ($) are to United States dollars, unless otherwise stated.

In tables:
- Totals may not add precisely because of rounding.
- An em-dash (–) indicates that the amount is nil or negligible.
- Two dots (..) indicate that data are not available or are not separately listed.

The following abbreviations are used in this publication:

GCC  Gulf Cooperation Council
BATELCO  Bahrain Telecommunications Company
OBU  Offshore Banking Units
ALBA  Aluminium Bahrain
ASRY  Arab Shipbuilding and Repair Yard
IDD  Industrial Development Directorate
I. Why Choose Bahrain as an Investment Location

There are many reasons why Bahrain is an attractive investment location. The wide range of opportunities and advantages offered to potential investors are based on its sophisticated market infrastructure and strong growth prospects, its financial and commercial incentives and the amenities of its lifestyle. An outline of its principal benefits in the above-mentioned areas is presented below.

MARKET

A strategic location in Western Asia
Situated halfway between eastern and western time zones
A regional market of 100 million people
Duty-free access to States of the Gulf Cooperation Council
The hub of aviation in Western Asia
Modern integrated air, sea and road transportation system

FINANCIAL INCENTIVES

No personal, corporate or with holding taxes
No exchange control restrictions on repatriation of capital, profits and dividends.
A freely convertible and stable currency linked at a fixed rate to the United States dollar.
Low-cost utilities, fuel and telecommunications
Attractive industrial incentive package including development finance.
Serviced factory and warehouse sites available at low cost
Labour costs are third of those in industrialized countries.

COMMERCIAL INCENTIVES

100 per cent foreign ownership of companies permitted
Mature legal infrastructure and internationally accepted trade practices
Seven-day "fast-track" company registration procedures
Western Asia's international financial centre
A major centre of regional insurance activities
Extensive free-zone facilities
Region's most advanced digital telecommunications system
Skilled and resourceful workforce fluent in Arabic and English

LIFESTYLE

Pleasant, secure and cosmopolitan lifestyle
Uniquely popular Arabian vacation resort attracting 2 million visitors per annum
Desert safaris, water sports, exotic bazaars and designer shopping
Well-appointed museum and archaeological sites reflecting regional history and culture
Welcoming attitude towards expatriates and their families
Excellent schools with international curricula from various countries, including France, Japan, United Kingdom of Great Britain and Northern Ireland and the United States of America
II. Bahrain and its People

A. GEOGRAPHY

1. Location and area

Bahrain covers an important geographical and strategic location. The State of Bahrain is located centrally on the southern shores of the Persian Gulf between latitude 25° 32' and 26° 20' North, and longitude 50° 20' and 50° 51' East. It lies within the western coastline of the Gulf waterways about 22.1 kilometres off the eastern coast of Saudi Arabia, 48.3 kilometres to the north-west of Qatar, 473.4 kilometres to the south-east of Kuwait, and 473.4 kilometres to the north-west of the United Arab Emirates. It is linked with Saudi Arabia through the King Fahad Causeway.

The Bahrain time zone has the advantage of bridging East Asian closing and European opening market times, which has contributed to the emergence of the island as a financial centre for Western Asia.

The State comprises a group of 36 islands, with a total land area of about 694.15 square kilometres. It has three islands of major demographic and economic importance, together accounting for over 85 per cent of its total area. The three islands are Bahrain, Muharraq and Sitra. The largest in the archipelago is Bahrain, where the capital city, Manama, is located.

2. Climate

Bahrain is hot in summer and mild in winter. The climate is pleasant from October to April with temperatures averaging from 15° to 24° C. From July to September the average temperature is 36° C with high humidity.

B. GOVERNMENT AND HUMAN RESOURCES

1. Government

Bahrain gained full independence from the United Kingdom in 1971. The Government is administered by a cabinet, comprising members of the ruling Al-Khalifa family and a group of experts. An advisory council was recently established, its main mandate being to advise the Government. The Head of State is His Highness the Amir, Shaikh Isa Bin Sulman Al-Khalifa.

Bahrain is a member of the Gulf Cooperation Council (GCC), together with Kuwait, Oman, Qatar, Saudi Arabia and United Arab Emirates, an organization set up in 1981 to promote cooperation in security matters, foreign policy and economic development.

2. Population and employment

According to the latest census of December 1991, the population is estimated to be 518,000, two third of whom are Bahrainis, the balance being foreigners. There are approximately 190,000 workers in Bahrain, 84,000 of whom are Bahraini and 106,000 non-Bahraini (see tables 1, 2 and 3 on pages 9, 10 and 11.)

C. SOCIETY

1. Religion

Islam is the State religion, which is practiced by 85 per cent of the Bahraini population. There are also Baha'is, Buddhists, Christians, Hindus, Jews and Zoroastrians. Places of worship for different faiths exist in the country.

2. Language

Arabic is the official language, although English is widely spoken and used as a working language.

3. Education

State education is free. There is also a wide range of private schools catering to the Arab, French, German, Indian, Japanese, Pakistani, United Kingdom and United States communities.

4. Health and medical facilities

The World Health Organization rates the health-care system of Bahrain among the top three in the world for readily accessible services to the population. State medical services are provided free of charge. In addition, full primary, secondary and tertiary care is available under private systems.
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*Branches' data are incorporated in main centres' questionnaires.
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III. Infrastructure

Developing a solid infrastructure has always been central to the development strategy of the Government of Bahrain, as reflected in the fact that infrastructure has always accounted for the major share of the government budget.

A. INDUSTRIAL AREAS AND FREE ZONES

Ten purpose-built industrial areas strategically located around the country provide facilities for over 500 different industrial companies with a diverse range of products and services. With the acceleration of industrial development, and in order to accommodate the demand for industrial areas, a new modern industrial area covering 640 hectares and designed to the highest international standards is under construction, adjacent to the planned new port at South Hidd.

A significant incentive to business is provided through exemptions of duties on imports of raw materials, semi-manufactured goods, machinery and equipment, as well as free exports and re-exports.

More information may be obtained from the following:

Ministry of Development and Industry
Directorate of Industrial Development
P.O. Box 1435
Bahrain
Telex: 8344 TANMYA
Fax: (973) 730 939
Telephone: (973) 731011

B. TRANSPORT AND COMMUNICATIONS

The transport and communications sector with its four branches (land, sea, air and telecommunications) plays an effective role in human development. It is considered one of the basic factors in promoting social progress in the present period of rapid change. It has top priority in the development strategy of the Government of Bahrain and its efforts to meet the highest international standards.

1. Transport

(a) Sea transport

The development of the port facilities of Bahrain and the upgrading of its infrastructure have played a major role in the economic progress of the country.

The major sea port of Mina Sulman, strategically located at the heart of the Gulf region, is able to take full advantage of regional economic opportunities. Mina Sulman is virtually self-sufficient, providing its own range of support services from engineering and maintenance to security, fire and medical facilities. It can accommodate vessels of up to 65,000 tonnes, and has a container capacity of 150,000 20-feet equivalent units (TEU) per year.

To complement the Mina Sulman maritime facilities, the building of a new US$ 185 million port capable of handling the next generation of high-speed container vessels, and thereby attracting an increasing number of shipping lines, has been initiated in the South Hidd district of Muharraq, annexed to Mina Sulman. Features of the new facility will include: gross area of 700,000 square metres; four ship-to-shore gantry cranes; doubling of existing storage capacity of 9,000 TEU; container freight station of 20,000 square metres; covered aluminium export loading capacity to handle 200,000 tonnes per year.

Further information may be obtained from the following:

Ministry of Finance and National Economy
P.O. Box 333
Bahrain
Fax: (973) 725534
Telephone: (973) 262400
Directorate of Ports
P.O. Box 15
Bahrain
Fax: (973) 725534
Telephone: (973) 725555
(b) Air transport

Bahrain International Airport, with its new terminal and with more than 35 airlines operating through it, is considered as a gateway to the region. Over 300 regional passenger flights and 60 cargo flights operate each week. Nearly 3.5 million passengers pass through the airport each year, a figure that is expected to grow to 10 million passengers during the present decade. The importance of the airport is reflected in the following data:

Airport facts and figures

- 12,500-foot runway
- 20,000 in-flight meals a day
- 24 check-in desks
- 8 immigration desks for departures
- 10 immigration desks for arrivals
- 7 air-conditioned air-bridges
- 260-seat restaurant
- 250-seat fast-food outlet
- 15,000 square metres of covered warehouse
- 131 unit load devices of storage handling capacity

Annual handlings (1992)

- Over 3.5 million passengers
- 750,000 transit passengers
- Over 30,000 aircraft landings and departures
- 60,000 tonnes of cargo
- Over 36 airlines using the airport

Distances from the airport

- Manama city centre: 3.5 kilometres
- Mina Sulman port: 4.5 kilometres
- Bahrain International Exhibition Centre: 5 kilometres
- King Fahad Causeway to Saudi Arabia: 15 kilometres

The strategic location of Bahrain International Airport, which enables it to serve the Gulf region, its high frequency of regional flights, its competitive pricing and technologically advanced facilities, supported by liberal and commercially oriented government policies, offer substantial opportunities for investment in such areas as the following: cargo storage, consolidation, re-export and distribution; sea and air cargo; cargo handling systems; courier operations; aviation-related engineering support and maintenance facilities; tourism projects and travel services; hospitality services; road transportation.

Further information may be obtained from Civil Aviation Affairs, the government body concerned with civil aviation in general, and Bahrain Airport Services, the private company that runs Bahrain International Airport, at the following addresses:

- Civil Aviation Affairs
  P.O. Box 586, Bahrain
  Fax: (973) 333278
  Telephone: (973) 333000
  SITA: BAHPYF

- Marketing Department
  Civil Aviation Affairs
  P.O. Box 586, Bahrain
  Fax: (973) 330123
  Telephone: (973) 321094/321095

- Bahrain Airport Services
  P.O. Box 22285, Bahrain
  Fax: (973) 335304
  Telephone: (973) 321700/321709
  SITA: BAHKBGF

(c) Road network

Bahrain has a sophisticated road network. Motorways and dual carriageways cover the country to such an extent that the furthest points are minutes away from each other. In the early 1980s the most ambitious project of recent times was embarked upon – the Bahrain-Saudi Arabia causeway. This 25-kilometre causeway links Bahrain with the Saudi Arabian mainland and has opened up exciting new commercial opportunities.

2. Telecommunications

The telecommunications system in Bahrain is among the most sophisticated in the world. The Bahrain Telecommunications Company (BATELCO) provides an excellent service for various sectors of the economy. Without the essential component of that vital infrastructure, the State could not have achieved its present importance in the financial markets of the world.

Digital telecommunications services in Bahrain are the most advanced and the cheapest in the region. The comprehensive range of services available includes: direct dialling and fax transmission facilities to 156 countries; three satellite systems for audiovisual transmission; access to international databases; prompt availability of mobile/cellular telephones; and use of radio communications network for individual companies.
IV. Economic Resources and Potential

A. THE ECONOMY

Bahrain has been a major trading location in the Gulf for many centuries. Its banking and financial sector dominate money markets in the region. The economy is fuelled by huge reserves of natural gas which provides a cheap source of energy.

Bahrain was the first State in the Gulf region to discover oil, in 1932. The petroleum sector has been a major source of income, but its share in the national economy has been declining along with oil reserves. The decline in oil reserves persuaded the Government from the early 1970s to embark on an extensive programme of economic diversification by converting energy resources into higher-value-added products. Currently Bahrain has a well-diversified economic base that includes oil-refining, petrochemicals, aluminium and related downstream industries, ship-repairing, small- and medium-scale industries and a major financial services sector.

The extent of the transition of the economy of Bahrain away from its dependence on the primary production of oil is reflected in the fact that the contribution of such production to the gross domestic product fell from 36 per cent in 1975 to 18 per cent by the late 1980s. Over the same period, the share of services increased by a third, mainly due to banking and insurance, which increased its contribution from 3 per cent to 12 per cent.

Banking is one of the major sources of prosperity of Bahrain through licensing of offshore banking units (OBUs) that are not involved in local banking, but serve to channel money from the petroleum-producing region back into world markets. Bahrain has embarked on a major plan to market the country as a base for OBUs by encouraging overseas banks to set up operations in the country.

B. GOVERNMENT ECONOMIC POLICY

In the past decade the economy of Bahrain has been transformed from an economy dependent on the primary sector for output and employment to a modern industrial economy and service centre. The economic strategy of the Government is currently under review, and the liberalization of inward investment is stated to be an important issue.

The main goals set by the Government are geared towards the following: diversification of the economy and national income, to be pursued through the development of small- and medium-scale industries; encouraging the services sector, notably commercial services; off-shore banking and tourism; removing obstacles to foreign investment; encouraging the contribution of the private sector in economic development.

C. INDUSTRY

The non-oil manufacturing sector partially embodies the efforts of the Government to bring about a diversification of the sources of income in the economy. The approach was mainly to establish large-scale, energy-intensive export-oriented industries, thus taking advantage of the abundant and relatively cheap natural gas.

The manufacturing sector currently is dominated by petrochemicals, aluminium-related industries and ship-repairing. Moreover, light industry, including the production of supplementary gas supplies, asphalt, prefabricated buildings, soft drinks, air-conditioning equipment, paper products, plastics, tiles and garments is also continuing its expansion.

The growing industry of Bahrain, with some 2,278 manufacturing establishments, is characterized by two types of companies. On the one hand, there are a few large enterprises, mainly State-owned or multinational corporations in the oil and gas processing and petrochemical sectors and in the aluminium and iron-ore processing sectors. Most companies export most of their production mainly to European and east Asian markets directly or through marketing companies.

The largest and most important industrial project outside the petroleum sector is Aluminium Bahrain (ALBA). The ALBA smelter started production in 1971, with a production of 120,000 tonnes per year. By the end of 1993 the capacity of ALBA was expanded to 465,000 tonnes per year. That major expansion makes ALBA one of the world's largest smelters. It currently employs
more than 2,000 people, and the total value of its exports since its beginning is over 700 million Bahrain dinars (BD). ALBA supports many secondary value-added products, such as a rolling mill for sheet aluminium powder, extrusions, cables and wires for power transmission, and many other smaller plants servicing both regional and world markets. An aluminium price incentive is offered to reduce the cost of the base metal to secondary producers of downstream products.

The second largest industrial project is the Arab Shipbuilding and Repair Yard (ASRY), which commissioned its dry dock in 1977. It currently has a capacity of 500,000 dead-weight tonnes, and can accommodate four ultra-large crude-oil carriers. Two floating docks were acquired in 1991 to handle smaller vessels. ASRY has plans to construct a second graving dock.

On the other hand, there are a large number of small- and medium-sized, family-owned companies which manufacture mainly for domestic markets.

As a result of the increased interest in industrial development in the country in recent years, and as part of the economic diversification efforts, 75 licenses for industrial projects were issued in 1993. Most involved small-and medium-scale aluminium ventures, food processing and garment manufacturing.

In particular, the Industrial Survey, 1993, drawn up by the Central Statistics Organization, lists 2,278 manufacturing establishments (see tables 4, 5, and 6).
Table 4: Distribution of establishments* by capital origin, 1992

<table>
<thead>
<tr>
<th>Capital origin</th>
<th>Bahraimi</th>
<th>GCC</th>
<th>Non-GCC</th>
<th>Joint Bahraimi and GCC</th>
<th>Joint Bahraimi and non-GCC</th>
<th>Joint Bahraimi, GCC and non-GCC</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number</td>
<td>2,204</td>
<td>6</td>
<td>36</td>
<td>10</td>
<td>19</td>
<td>3</td>
<td>2,278</td>
</tr>
<tr>
<td>%</td>
<td>96.7</td>
<td>0.3</td>
<td>1.6</td>
<td>0.4</td>
<td>0.8</td>
<td>0.1</td>
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</table>


*All industrial establishments.
<table>
<thead>
<tr>
<th>Industry</th>
<th>Bahra'ini</th>
<th>GCC</th>
<th>Non-GCC</th>
<th>Joint Bahra'ini and GCC</th>
<th>Joint Bahra'ini, GCC and non-GCC</th>
<th>Joint Bahra'ini, GCC and non-GCC</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food products and beverages</td>
<td>315</td>
<td>1</td>
<td>1</td>
<td>3</td>
<td>3</td>
<td>5</td>
<td>323</td>
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<tr>
<td>Textiles</td>
<td>5</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>5</td>
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<tr>
<td>Wearing apparel</td>
<td>1199</td>
<td>3</td>
<td>24</td>
<td></td>
<td>5</td>
<td>5</td>
<td>1231</td>
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<td>Leather products</td>
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<td></td>
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<td></td>
<td>5</td>
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<tr>
<td>Wood, cork and straw products</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
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<td>Paper and paper products</td>
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<tr>
<td>Publishing and service activities</td>
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<td>15</td>
</tr>
<tr>
<td>Refined petroleum products</td>
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<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Chemical products</td>
<td>20</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>23</td>
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<tr>
<td>Rubber and plastic products</td>
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<td></td>
<td></td>
<td>4</td>
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<tr>
<td>Other non-metallic products</td>
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<td></td>
<td>42</td>
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<tr>
<td>Basic metals</td>
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<tr>
<td>Metallic products except machines</td>
<td>126</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>131</td>
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<tr>
<td>Machinery and equipment</td>
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<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Electrical apparatus</td>
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<td></td>
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<td></td>
<td></td>
<td>4</td>
</tr>
<tr>
<td>Medical and optical instruments</td>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>Motor vehicles</td>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>Other transport equipment</td>
<td>3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>4</td>
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<tr>
<td>Furniture &amp; products not elsewhere classified</td>
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<td></td>
<td>9</td>
<td>2</td>
<td>1</td>
<td></td>
<td>473</td>
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<tr>
<td>Recycling</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>2</td>
</tr>
</tbody>
</table>

**TOTAL**                                    | 2204      | 6   | 36      | 10                      | 19                              | 3                               | 2278  |

*Source: Industrial Survey, 1993 (Manama, Central Statistics Organization, 1993).*
<table>
<thead>
<tr>
<th>Activity</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food products and beverages</td>
<td>323</td>
<td>14.18</td>
</tr>
<tr>
<td>Textiles</td>
<td>5</td>
<td>0.22</td>
</tr>
<tr>
<td>Wearing apparel</td>
<td>1,231</td>
<td>54.04</td>
</tr>
<tr>
<td>Leather products</td>
<td>5</td>
<td>0.22</td>
</tr>
<tr>
<td>Wood, cork and straw products</td>
<td>1</td>
<td>0.04</td>
</tr>
<tr>
<td>Paper and paper products</td>
<td>4</td>
<td>0.18</td>
</tr>
<tr>
<td>Publishing and service activities</td>
<td>15</td>
<td>0.66</td>
</tr>
<tr>
<td>Refined petroleum products</td>
<td>1</td>
<td>0.04</td>
</tr>
<tr>
<td>Chemical products</td>
<td>23</td>
<td>1.01</td>
</tr>
<tr>
<td>Rubber and plastic products</td>
<td>4</td>
<td>0.18</td>
</tr>
<tr>
<td>Other non-metallic products</td>
<td>42</td>
<td>1.84</td>
</tr>
<tr>
<td>Basic metals</td>
<td>5</td>
<td>0.22</td>
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<tr>
<td>Metallic products except machines</td>
<td>131</td>
<td>5.75</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>1</td>
<td>0.04</td>
</tr>
<tr>
<td>Electrical apparatus</td>
<td>4</td>
<td>0.18</td>
</tr>
<tr>
<td>Medical and optical instruments</td>
<td>2</td>
<td>0.09</td>
</tr>
<tr>
<td>Motor vehicles</td>
<td>2</td>
<td>0.09</td>
</tr>
<tr>
<td>Other transport equipment</td>
<td>4</td>
<td>0.18</td>
</tr>
<tr>
<td>Furniture &amp; products not elsewhere classified</td>
<td>473</td>
<td>20.76</td>
</tr>
<tr>
<td>Recycling</td>
<td>2</td>
<td>0.09</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>2,278</td>
<td>100.00</td>
</tr>
</tbody>
</table>

*Source: Industrial Survey, 1993 (Manama, Central Statistics Organization, 1993).*
<table>
<thead>
<tr>
<th>Enterprise</th>
<th>Product or activity</th>
<th>Production or capacity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Petroleum Refinery</td>
<td>Oil</td>
<td>250,000 barrels per day</td>
</tr>
<tr>
<td>Gulf Petrochemical Industrial Co.</td>
<td>Ammonia and methanol from natural gas</td>
<td>365,000 tonnes of each product per year</td>
</tr>
<tr>
<td>Aluminium of Bahrain Co.</td>
<td>Aluminium slabs by electrolysis</td>
<td>Rated capacity of 465,000 tonnes of aluminium per year</td>
</tr>
<tr>
<td>Bahrain Atomizers International</td>
<td>Aluminium powder</td>
<td>7,000 tonnes per year (raw material from ALBA)</td>
</tr>
<tr>
<td>Bahrain Aluminium Extrusion Co. (being privatized to finance doubling of capacity)</td>
<td>Aluminium bars that can be formed into window frames</td>
<td>6,000 tonnes per year (raw material from ALBA)</td>
</tr>
<tr>
<td>Middle East Aluminium Cables</td>
<td>Aluminium cables</td>
<td>25,000 tonnes per year (raw material from ALBA)</td>
</tr>
<tr>
<td>Gulf Aluminium Rolling Mill Co.</td>
<td>Aluminium sheets and coils</td>
<td>60,000 tonnes per year (raw material from ALBA)</td>
</tr>
<tr>
<td>Al Zamil Aluminium Co.</td>
<td>Aluminium bars</td>
<td></td>
</tr>
<tr>
<td>Arab Iron and Steel Company</td>
<td>Iron pellets</td>
<td>4 million tonnes per year</td>
</tr>
<tr>
<td>Arab Shipbuilding and Repair Yard</td>
<td>Ship-repair</td>
<td>Annual tanker capacity of 550,000 dead-weight tonnes</td>
</tr>
</tbody>
</table>
The banking sector in Bahrain has over 4,000 employees. It contributes over 16 per cent of the gross national product of Bahrain, and is the second largest sector of the economy.

The accelerated economic growth which followed the oil price rises in 1973 and 1974 created the need for an expanded and more sophisticated banking service. With efficient planning and adequate investment incentives, Bahrain emerged as the main financial centre in western Asia.

The expansion of the financial sector led to the creation in 1973 of the Bahrain Monetary Agency, with a wide-ranging central banking authority. It is this Agency which considers applications for licences from financial institutions.

Bahrain has developed into a major financial services centre, with the largest volume of trade in western Asia. Some of the factors contributing to the growth of Bahrain include its convenient location midway between the eastern and western time zones (permitting it to deal with both for a maximum number of hours), its sophisticated telecommunications network, exchange controls and its stable administration.

A major factor in the development of Bahrain was the government introduction of OBU licences in 1975, without many of the former restrictive requirements. Thereafter, financial institutions were permitted to accept deposits from both residents and non-residents through investment banking licences.

Bahrain in consequence has become the financial services centre of western Asia. It currently has 18 commercial banks, 2 specialized banks, 51 OBUs, 21 investment banks, 47 representative offices, 5 money and foreign exchange brokers and 22 money-changers. The aggregate assets/liabilities of OBUs were US$ 60.9 billion at the end of September 1993.

A Bahrain Development Bank has recently been set up jointly by the Government and private institutions to provide long-term financing for priority projects on soft terms.

The primary focus of the development banks is likely to be as follows:

(a) Long-term concessionary loans of up to 10 years to finance capital equipment and fixed costs;
(b) Venture capital subscriptions for select projects in the form of 49 per cent equity contributions;
(c) Seed capital loans of up to eight years for small businesses and professions to finance start-up costs;
(d) Working capital loans to fund cash flow gaps on a revolving basis.

Bahrain is also a major insurance centre, and there is a significant reinsurance business. There are 9 Bahraini insurance companies, 12 branches of foreign insurance companies and 42 exempt insurance companies trading offshore.

More information may be obtained from the following:

Bahrain Monetary Agency
P.O. Box 27
Bahrain
Telex: 8295 BAHMON BN
Fax: (973) 533342/534170

Bahrain Development Bank
P.O. Box 20501
Bahrain
Fax: 534005
Telephone: 537007
E. TOURISM

Bahrain has one of the fastest-developing tourist industries in the region, attracting more than 2 million visitors per year mostly from Gulf States. The key features and attractions of Bahrain as a tourist centre include the following:

(a) A wealth of historical, cultural and traditional attractions (a history going back 4,000 years);
(b) Water sports, pearl-diving expeditions, scuba-diving and dhow trips;
(c) First-class hotel accommodation, nightlife and restaurants;
(d) Excellent and varied clubs;
(e) Amusement and wildlife parks and social amenities for families;
(f) Friendly, hospitable, crime-free environment;
(g) Modern shopping complexes.

The development of facilities and attractions for tourists has become a major industry in Bahrain offering development opportunities to local, regional and international companies in such areas as the following: catering; sports facilities; conference and exhibition centres; souvenir manufacture; historical and cultural locations; entertainment programmes; amusement parks.

More information may be obtained from the following:

Ministry of Information
P.O. Box 253
Bahrain
Telex: 8399 INFORM BN
Fax: (973) 682777
V. Investment

A. GENERAL INVESTMENT CLIMATE

Bahrain provides very attractive and competitive investment opportunities for foreign investors. Tax-free commercial profits and personal income are among some of the tempting incentives available. Unrestricted repatriation of profits and capital, along with the absence of exchange control constraints, adds to the appeal of Bahrain to those wishing to invest in a dynamic, growing economy. The Government, an ardent supporter of private enterprise, has adopted a policy of ensuring that new companies may be registered with administrative ease.

The cosmopolitan lifestyle offers a very high standard of living in secure and comfortable surroundings, including a congenial network of social amenities.

B. AREAS FOR POTENTIAL INVESTMENT

Industrial diversification is important to Bahrain and other Gulf economies, and import substitution receives vital government support. Opportunities for new industrial operations exist in the following areas:

(a) Downstream investments from existing primary aluminium, oil, gas and steel industries, especially in petrochemicals, plastics, engineering, ship repair services and product fabrication;
(b) Manufacturing to meet demands of fast-expanding consumer markets in the region;
(c) Food processing, packaging and distribution;
(d) Local assembly and parts manufacture for finished goods;
(e) High-technology production processes;
(f) Manufacture of components for industrial, drilling, refinery and mining applications;
(g) Equipment and machinery repair and maintenance;
(h) Machine shop services for regional needs;
(i) Production of construction equipment and materials;
(j) Other specific opportunities include pharmaceuticals, transportation equipment and systems, educational and health-care materials, furnishing machinery, packaging systems, materials for agriculture and fishing, textiles, clothing, toys and leisure goods and craft industries.

C. INCENTIVES FOR FOREIGN COMPANIES

1. Establishing an industry

Assistance with every aspect of establishing a new industry or service is provided by the Ministry of Development and Industry, through the Industrial Development Directorate (IDD). IDD coordinates the entire industrialization drive, providing assistance and guidance for new and existing manufacturing operations.

The services provided extend through the development process from "fast-track" commercial registration with the Ministry of Commerce and Agriculture to start-up of operations. Other services include assistance with land surveying, maintenance and liaison with municipal authorities. Decisions are made quickly, thereby minimizing red tape.

2. Tax, duty and ownership incentives

The following incentives are offered:

(a) No personal, corporate or withholding tax; no restriction on repatriation of capital, profits, royalties or wages; and freedom of movement of foreign exchange;
(b) Foreign ownership of up to 100 per cent of a company allowed;
(c) Duty-free import of materials and machinery for manufacturing, and duty-free merchandise for re-export.
3. **Active government support**

The Government offers active support in the following ways:

(a) Consistent government policy of encouraging overseas investment, including assistance in undertaking market studies;

(b) Administrative ease of company registration;

(c) Mature, internationally oriented and highly developed legal framework;

(d) Cheap energy and fuel costs;

(e) Competitive industrial, commercial and residential rents; duty-free zones at ports and industrial estates; and serviced industrial estates.

The promotion of private enterprise is public policy. To encourage manufacturing, the Government actively promotes Bahraini products and protects the manufacturer through import tariffs.

4. **Labour force and amenities**

The labour incentives and amenities offered include the following:

(a) Well-educated, skilled indigenous workforce, proficient in English, at one third of the cost in industrialized countries;

(b) Straightforward processing of labour permits;

(c) Excellent housing, schooling and social amenities;

(d) Modern health-care, hospital and medical facilities;

(e) Unique quality of life with superb sports and leisure activities;

(f) Virtually non-existent crime;

(g) Highly stimulating business and cultural environment.

5. **Developed infrastructure**

Bahrain enjoys the benefits of a highly developed infrastructure, which offers the following advantages:

(a) Foremost financial centre in western Asia;

(b) State-of-the-art telecommunications network;

(c) Regional centre for insurance;

(d) Home to Gulf Air and hub of regional airline operations;

(e) Modern international airport with recently built cargo-handling facilities;

(f) Technologically advanced port facilities;

(g) Twenty-five kilometre road bridge to Saudi Arabia providing access to nearby major population centres;

(h) International and GCC arbitration centre.

6. **Stable currency**

The Bahrain dinar, which is freely convertible, is linked to the United States dollar.

Further information may be obtained from the following:

Industrial Development Directorate
Ministry of Development and Industry
P.O. Box 1435
Bahrain
Telex: 8344 TANMYA BN
Fax: (0973) 290302
Telephone: (0973) 291511
Legal Structure of Commercial Companies

ANNEX I
A. ONE HUNDRED PER CENT FOREIGN OWNERSHIP

Up to 100 per cent foreign ownership is allowed in the companies described below.

1. Exempt company (offshore)

Joint stock companies whose main offices are established in Bahrain, but which operate exclusively offshore, may be 100 per cent foreign-owned. They must comply with conditions of government resolution 25 of 1977.

The conditions of operation are as follows:

(a) The company must be a joint-stock company;
(b) It may not deal in financial activities (investment, banking) except by permission of the Bahrain Monetary Agency;
(c) Its capital must be at least BD 20,000. Where the company has obtained permission to engage in financial dealings (investment, insurance, banking) the Ministry of Commerce and Agriculture reserves the right to satisfy itself that the capital is adequate for the purpose;
(d) The capital may be owned by any proportion of non-Bahraini and Bahraini partners, but transfer of shares of the founders is governed by the memorandum and articles of association, and needs the consent of the Ministry of Commerce and Agriculture;
(e) Its name must be approved by the Ministry of Commerce and Agriculture and be followed by "Bahraini Exempt Joint-Stock Company";
(f) Its term is 25 years (maximum), dating from registration, but may be extended by permission of the Ministry of Commerce and Agriculture;
(g) The head office must be in Bahrain, and company activities conducted offshore, except for any business expressly permitted by the Ministry of Commerce and Agriculture. It may not own land or property in Bahrain;
(h) Its nationality is Bahraini;
(i) A deposit, on which interest is earned, is required upon registration (see (j) below) for the duration of the company;

(j) A registration fee is payable upon acceptance of application and an annual fee thereafter;

(k) Application must be made on a special form obtained from the Ministry of Commerce and Agriculture, which has absolute discretion as to whether to permit the establishment of the proposed company (decision within 30 days).

2. Closed joint-stock company

A share-holding company of which the shares are not offered for public subscription may be established without a decree of the Amir. It must have at least five promoters, who jointly guarantee the following:

(a) Provisions of articles and memorandum of association are in accordance with the Commercial Companies' Law;

(b) The promoters have subscribed and paid all shares (that is, capital must be fully paid up before the company is established) in a bank authorized by the Ministry of Commerce and Agriculture, and any shares in kind have been evaluated and paid up;

(c) Suitable administrative machinery has been set up.

The undertaking should be appropriately documented, the company must then be registered in the Commercial Registry, and an announcement must be published in the Official Gazette and one other publication. The minimum capital for a closed joint-stock company is BD 200,000.

Ownership of 100 per cent is restricted to industrial companies, or to the case of services companies where Bahrain is used as the centre for regional distribution of goods or services. Such companies may be exempted from the requirement of a minimum level of share capital.

(a) Closed joint-stock share

In either kind of company, shares must be of equal value, and not less than 0.100 fils nor more than BD 100, issuable at nominal value or higher (in which case the surplus must cover expenditures and provide a reserve).

Full details of shares subscribed must be submitted to the Ministry of Commerce and Agriculture.

(b) Increasing capital

Once shareholders have paid the authorized capital in full, capital may be increased by issuing new shares to the value of the amount required, or by transferring the reserve fund to the capital. In that case, the face value of the shares may be increased and the difference paid from the reserve, or new shares may be issued and distributed to shareholders without charge. They must have the same nominal value as previous shares.

(c) Loans

Companies may borrow from the public by issuing bonds with a value equal to the sum borrowed, at an agreed rate of interest.

In companies with major government participation, the number of promoters may be less than five. The Ministry of Commerce and Agriculture may approve that only 50 per cent be paid up, the remaining share value to be paid up within three years.

No one may hold office as chairman or member of the board of directors of more than three joint-stock companies with head offices in Bahrain, and be managing director of more than one.

3. Branch/representative office

By permission of the Ministry of Commerce and Agriculture, foreign companies may establish branches or representative offices in Bahrain without directly entering Bahraini partnership, providing their business is not covered by the categories included under "commercial agencies". They must, however, engage a Bahraini in the same field as their sponsor (for example, a Bahraini contractor would sponsor a foreign contracting services company). If the branch or representative office is being established as a regional distribution centre for goods and services, no sponsor is required.

4. Company with limited liability

A company with limited liability is the most common form of company, and may be established for any kind of commercial purpose (usually industrial or services such as contracting or consultancy). It must have a fully paid-up capital of a minimum of BD 10,000. Normally a maximum non-Bahraini participation of 49 per cent is permitted, but recent legislation allows 100 per cent foreign ownership of industrial companies or of service companies using Bahrain as the centre for regional distribution of their manufactured goods or services. Although participation by individual foreign investors is permitted, the Bahrain authorities prefer that foreign partnership be undertaken by a company, and there must not be less than two and not more than 50
shareholders. It cannot issue public shares or negotiate warrants, nor conduct saving, banking or investment operations. It normally has a term of 25 years, and (equal) shares must amount to at least BD 50 each.

(a) Establishment

The memorandum of association of a limited company (which must be written in Arabic and attested by the notary public) should give the following details:

(a) Names, designations and nationality of the partners;
(b) Head office of the company;
(c) Company name and address followed by "Company with limited liability";
(d) Objects of the company;
(i) Name of supervisory board, if any (which must be set up with a minimum membership, for a specified period, of three partners, if the total number of partners is more than 10).
(b) Distribution of profits and losses

The memorandum (or articles) of association may also state the shares of partners in the profit and loss. If it does not, they are assumed to be in direct proportion to their shares in the capital. The Ministry of Commerce and Agriculture has the right to ask that extra details be stated.

The name of the limited liability company may derive from the name of one or more partners or its objectives, but must always be followed by "WLL" (that is, with limited liability), in all official business dealings.

Articles of association are normally prepared in the country of origin of the foreign partners. Once legally attested, they should be forwarded by the company manager, together with other documents required, to the Commercial Registry at the Ministry of Commerce and Agriculture, so that the company can be registered.

B. MAXIMUM OF 49 PER CENT FOREIGN OWNERSHIP

A maximum foreign ownership of 49 per cent is allowed in the companies described below.

1. Joint-stock companies (public)

Although the law states that "all ... partners of joint-stock companies shall be Bahraini nationals", it provides that "some partners ... may be non-Bahraini ... if and when the need for foreign capital or expertise arises". In that case, the company may be established after approval has been sought from both the Ministry of Commerce and Agriculture and the Council of Ministers, followed by the issue of an Amiri Decree. Normally, joint-stock companies are formed to undertake a specific major project, sometimes with government participation. Its name must indicate its objectives, and must always be followed by "Bahraini Joint-Stock Company". It will have a specific duration, usually the period needed to fulfil its objectives, which may only be extended by permission of the Ministry of Commerce and Agriculture.

(a) Establishment

All joint-stock companies require a promoter or promoters who take responsibility for formation of the company, some of whom may be non-Bahraini, and who sign the initial memorandum and apply to license the company.

The model memorandum and articles of association issued by the Ministry of Commerce and Agriculture must be followed. In all cases it will include the following details:

(a) Name of the company;
(b) Main office;
(c) Objects for which the company has been formed;
(d) Names of promoters (not less than seven, unless the Government formed the company or was associated in its formation);
(e) Authorized capital, issued capital, and number of shares;
(f) Duration of the company;
(g) Conditions pertaining to shares and their offer;
(h) Estimate of expenditure and expenses.

The initial memorandum must be signed by all promoters, and forwarded to the Ministry of Commerce and Agriculture for approval. It will be considered for one month, during which further information or amendments may be requested, and constitutes the initial application. It will then be returned to the promoters, who must authenticate it. The Ministry of Commerce and Agriculture will finally issue a decree of establishment, to be published in the Official Gazette.

(b) Capital and subscription of shares

Subscription of shares may begin after the decree of establishment has been published, but promoters must subscribe for shares of not less than 7 per cent and not more than 20 per cent of the capital before other subscription is invited, at the proposed public price (when there are 60 or
more promoters, they may subscribe for 40 per cent of shares with permission from the Council of Ministers). They must provide a bank's certificate as warranty, which should be submitted to the Ministry of Commerce and Agriculture together with a draft prospectus for inviting subscription, including the following:

(a) Abstract of the memorandum of association and articles stating: objects of the company; head office; duration; name, addresses and nationality of promoters; capital of the company; number of shares; value of each share and amount to be paid of that value; shares in kind; expenditure (salaries and cost of establishment of company);

(b) Maximum number of shares per subscriber;

(c) Number of shares needed to qualify for the board of directors and their rights and duties;

(d) Date, place and conditions of subscription;

(e) Date of issue of decree of establishment, and date of its publication in the Official Gazette.

The prospectus must be published in the Official Gazette, and one other local publication at least five days before subscription opens. Subscription is through the National Bank, subject to the approval of the Ministry of Commerce and Agriculture, and all proceeds must be deposited there.

Subscription remains open for three months. Thereafter promoters may subscribe for any remaining shares.

If shares are oversubscribed, the Ministry of Commerce and Agriculture will direct suitable division. All holders of public shares must be Bahraini nationals.

Capital for a public joint-stock company is a minimum of BD 500,000, of which a maximum of 49 per cent may be non-Bahraini. A minimum of 20 per cent must be paid up within the first year, and the whole within four years.

2. Partnership

A partnership under a collective name is defined as "an association of two or more persons under a specific name who assume (total) ... joint responsibility for the partnership's obligation". Participation by non-Bahraini partners is allowed, with the consent of the Council of Ministers. The types of enterprise involved are those offering professional consultancy or advisory services (for example, accountancy and engineering), which may be branches of partnerships already established abroad.

The memorandum of association must contain the following:

(a) Address of company and commercial name, if any;
(b) Main office and its branches;
(c) Objectives;
(d) Names and nationalities of partners;
(e) Names of directors and their shareholdings and voting rights;
(f) Capital and shares;
(g) Profit and loss sharing arrangements;
(h) Date of establishment;
(i) Beginning of company's financial year;
(j) Manner of liquidation and distribution of assets.

The name of the company must always be followed by "Bahraini Partnership Co.".

3. Simple commandite company

The company should be registered with the Commercial Registry and chartered in accordance with the provisions of article 26 of the Commercial Companies' Law. The Memorandum of Association need not include the names of the sleeping partners, but must contain an adequate description of their shares in the capital and the value thereof. The articles of association should state the joint partners and the sleeping partners, and the former should be Bahrainis. The share of Bahraini partners should not be less than 51 per cent of the capital.

4. Joint venture company

A joint venture company may take the following legal forms: partnership; simple commandite company; and company with limited liability. The legal structures of the companies are as provided in the foregoing.

More information may be obtained from the following:

Ministry of Commerce and Agriculture
P.O. Box 5479
Bahrain
Telex: 9171 TEJERA BN
Fax: (973) 530455
Telephone: (973) 530455
General Information on Bahrain

Annex II

A. Entry and Visas

Visitors to Bahrain require entry visas unless they hold the passports of a GCC State or the United Kingdom. Visas are available from all embassies and consulates.

Transit visas valid for 72 hours are available at Bahrain International Airport, ports or causeways. Extensions may be arranged inside Bahrain.

Visitor’s visas valid for seven days may be obtained by business persons, delegates, families and dependants. Tourist groups can arrange for seven-day visas through their travel agent.

B. Commercial Hours

Government office hours are from 0700 to 1415, Saturday to Wednesday.

The hours of commercial organizations vary, but 0800 to 1530 or 0800 to 1300 and 1500 to 1730 are quite common. Five-day weeks are becoming more favoured, though many establishments still work from Saturday to Thursday.

Many shops and supermarkets are open from 0830 to 1230 and 1530 to 1930 six days a week. Markets and many shops are open on Friday mornings (times vary).

Commercial banks are open from 0730 to 1200 from Saturday to Wednesday, for many branches from 1530 to 1730 on the same afternoons, and from 0730 to 1100 on Thursdays.

C. Amenities

The attractions of Bahrain have drawn over 120,000 non-Bahrainis to live and work among the people of the country. Its advantages include the following:

(a) No taxation;
(b) High-class accommodation;
(c) Excellent schooling based on the systems of various countries (Bahrain, India, Japan, Pakistan, United Kingdom and United States), from kindergarten to 18 years of age;
(d) Security and almost non-existent crime;
(e) Sports and social clubs;
(f) Historic island with well-appointed museums and places of interest;
(g) A high-quality private and semi-private medical system;
(h) Amusement parks, wildlife centre, beaches, swimming and sports facilities;
(i) Over 3,000 top-quality hotel rooms;
(j) Excellent licensed restaurants offering some of the widest selections of cuisine in a highly cosmopolitan society;
(k) Varied shopping, ranging from high-class antique dealers, department stores and supermarkets to specialist jewellers, tailors, discount electrical shops, cold stores and covered markets.

D. Housing

Out of town, typically the choice is for bungalows or villas in small compounds. The compounds usually offer swimming pools, tennis and squash courts and other sports facilities. The average size of the compounds is 10 to 20 homes. Two-, three- and four-bedroom homes are most common. Most were built after 1980. At Manama, the capital, apartments are more common, often with access to sports facilities, service lifts and porterage.

E. Clubs and Societies

National clubs exist, including Filipino, Indian, Pakistani, Thai and United Kingdom clubs and similar organizations. A United States business person’s association and women’s organizations are long established.

Sports clubs and societies for sailing, water-skiing, rugby, soccer, basketball, tennis, squash, horse-riding, chess, scrabble, ice-skating, golf, bowling, hockey, softball, basketball, cricket, social running etc. provide wider attractions.

There are charitable and business organizations, including a Rotary club, Lions club, bankers’ society, engineering society and many others.

Major sporting and social events include an
annual marathon relay, a raft race, horse-racing events, automobile rallies and many other sporting events.

F. ENTERTAINMENT

The country is regularly visited by top performers from east Asia, Europe, the United States, the Indian Subcontinent and elsewhere in the Arab world. Most hotels and restaurants feature live entertainment. There are cinemas and a wide availability of recent videotape releases for hire and viewing at home.

G. MEDIA

Bahrain has Arabic and English-language television channels, broadcasting a mixture of news, international programmes, films and other material.

Additionally, English-language channels can be received from Saudi Arabia, Qatar and, at certain times of the year, from Abu Dhabi and Dubai. Bahrain has a 24-hour a day English language radio station and an Arabic station. Broadcasts from Saudi Arabia and Qatar and, in summer, from Dubai can be received. With short-wave receivers, the BBC World Service, the Voice of America and other international radio stations can be picked up.

An English-language daily newspaper is published in Bahrain, and two newspapers from the United Arab Emirates circulate widely. There is a quarterly magazine as well as regular guidebooks on life in the island. Two Arabic daily newspapers and one weekly, plus several magazines, compete with publications from neighbouring States.

International newspapers, magazines and books are widely available on the island, usually immediately following publication. There are a number of libraries and regular book sales.
Relevant Bahrain Government Bodies

**ANNEX III**

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<th>Organization</th>
<th>Responsibilities</th>
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<tr>
<td>Ministry of Commerce and Agriculture</td>
<td>Commerce and agriculture</td>
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<tr>
<td>P.O. Box 5479; Fax: 530455; Telephone: 531531</td>
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<tr>
<td>Ministry of Defence</td>
<td>National defence</td>
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<tr>
<td>P.O. Box 245; Fax: 663923; Telephone: 665599</td>
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<tr>
<td>Ministry of Development and Industry</td>
<td>Industrial development, oil, industrial areas, civil aviation</td>
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<tr>
<td>P.O. Box 1435; Telephone: 290302;</td>
<td>Education</td>
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<tr>
<td>Ministry of Education</td>
<td>Finance, national economy, ports and custom</td>
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<tr>
<td>P.O. Box 43; Fax: 271468; Telephone: 258400</td>
<td>Foreign affairs</td>
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<tr>
<td>Ministry of Finance and National Economy</td>
<td>Health</td>
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<tr>
<td>P.O. Box 333; Fax: 275944; Telephone: 530800</td>
<td>Housing and physical planning</td>
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<tr>
<td>Ministry of Foreign Affairs</td>
<td>Tourism, heritage, media information</td>
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<tr>
<td>P.O. Box 547; Fax: 210575; Telephone: 262277</td>
<td>Immigration, public security, traffic</td>
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<tr>
<td>Ministry of Health</td>
<td>Legislation, court administration and Islamic affairs</td>
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<tr>
<td>P.O. Box 12; Fax: 252569; Telephone: 255555</td>
<td>Labour laws and permits, social affairs</td>
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<tr>
<td>Ministry of Housing</td>
<td>Postal service, public transport</td>
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<tr>
<td>P.O. Box 5802; Fax: 534115; Telephone: 533000</td>
<td>Public works, electricity, water</td>
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<tr>
<td>Ministry of Information</td>
<td>National legislation</td>
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<tr>
<td>P.O. Box 253; Fax: 682777; Telephone: 681811</td>
<td>Central bank</td>
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<tr>
<td>Ministry of the Interior</td>
<td>Stock exchange</td>
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<tr>
<td>P.O. Box 13; Fax: 262169/270463; Telephone: 272111</td>
<td>Parks, municipal affairs and amenities</td>
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<td>Ministry of Justice and Islamic Affairs</td>
<td>National statistics</td>
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<tr>
<td>P.O. Box 450; Fax: 536343 Telephone: 531333</td>
<td>Pension fund investment</td>
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<td>Ministry of Labor and Social Affairs</td>
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<td>P.O. Box 32333; Fax: 686954; Telephone: 687800</td>
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<td>Ministry of Transportation</td>
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<tr>
<td>P.O. Box 10325; Fax: 637537; Telephone: 534534</td>
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<td>Ministry of Works, Power and Water</td>
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<tr>
<td>P.O. Box 6000; Fax: 533095; Telephone: 522033</td>
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<tr>
<td>Ministry of State for Legal Affairs</td>
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<tr>
<td>P.O. Box 790; Fax: 270303; Telephone: 259990</td>
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<td>Bahrain Monetary Agency</td>
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<tr>
<td>P.O. Box 27; Telephone: 241241</td>
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<td>Bahrain Stock Exchange</td>
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<tr>
<td>P.O. Box 3203; Fax: 256362; Telephone: 261260</td>
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<td>Central Municipal Council</td>
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<td>P.O. Box 53; Telephone: 263661; Telephone: 254847</td>
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<tr>
<td>Central Statistics Organization</td>
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<tr>
<td>P.O. Box 5835; Telephone: 725725</td>
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<tr>
<td>General Organization for Social Insurance</td>
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<tr>
<td>P.O. Box 5319; Telephone: 687800</td>
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