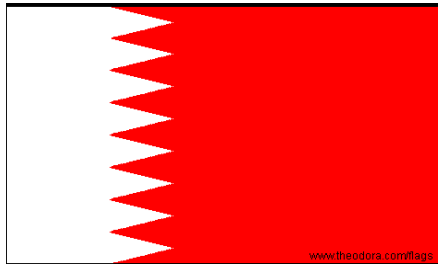


BAHRAIN NEWS REPORT



Bahrain: Industrious Kingdom

Although Bahrain is looking to expand its manufacturing base, seeking to strengthen existing industries while also trying to attract new producers, the Kingdom intends to do this with a healthy tinge of green.

Industrial production is one of the key planks in Bahrain's long-term programme of diversifying the economy away from a dependence on hydrocarbons, a programme given impetus by the Kingdom's dwindling oil reserves. Such is its success that non-energy based industry now accounts for around 13% of Bahrain's GDP.

While Bahrain's financial sector has become one of the driving forces of the economy, contributing around 22% of GDP, industry is still one of the major contributors to export trade. Analysts expect the rate of GDP growth to slow somewhat this year, with most predictions of expansion ranging between 2.0 to 4%, the slowdown mainly due to a fall in demand for exports in traditional markets. However, continuing investments in projects such as the Hidd industrial area, as well as in infrastructure, should see the manufacturing sector well placed to take advantage of the foreseen pick up in the global economy in 2010.

Apart from establishing dedicated industrial estates, Bahrain has also put in place measures to attract

manufacturers to the Kingdom. New industries setting up in one of Bahrain's free trade zones can benefit from a series of state-backed incentives, including a 10-year tax holiday, exemption from import duties on raw materials and equipment, duty-free access to the markets of all members of the Gulf Cooperation Council (GCC) and easy access to the US thanks to a free trade agreement signed in 2004.

Not only do Bahrain's industries have duty-free admission to GCC markets, they have access to Saudi Arabia via the King Fahd Causeway and thence to the rest of the region. The regional transportation network will be improved further with the construction of a second causeway linking Bahrain with Qatar. The 40-km causeway will carry a broad gauge rail line, a major boost to industries needing to move moving heavy cargos to clients and dependent on bulky imports to keep their plants operating.

These improved transport links will be a major asset to Aluminium Bahrain (Alba), the backbone of the Kingdom's industrial success. Quite aside from being Bahrain's leading manufacturer, Alba also has a series of side industries built around the plant's 870,000-tonne annual output. These include Gulf Aluminium Rolling Mill Company, Bahrain Atomisers International, Bahrain Aluminium Extrusion Company and Midal Cables, all of which produce for both the local and export markets. Between them, they account for around one-third of Alba's output, with the rest destined for GCC and Asian markets.

Though aluminium prices have dipped sharply in the past year, falling from their peak of \$3200 per tonne last year to around \$1660, Alba is still operating

at full capacity and is planning to expand output to 1m tonnes in the next two to three years.

However, while promoting growth in the sector, officials are also conscious of the need for balance, becoming increasingly aware of a potential downside to such projects - the impact on the island's environment. In September, work will begin on an eight-month study to assess air and sea pollution levels, including measuring pollutants from the Kingdom's industries.

According to Adel Al Zayani, the director-general of the Public Commission for the Protection of Marine Resources, Environment and Wildlife, the results of the study could have a bearing on the extent of future industrial development in Bahrain.

"This will be a planning tool that can be used to decide if additional industries can be accommodated in the country," Al Zayani said in an interview with the *Gulf Daily News* on July 10.

Depending on the finding of the study, Al Zayani said the commission could ask the Ministry of Industry and Commerce to restrict new industrial developments to those that would not add to pollution levels and request existing manufacturers to reduce emission levels.

"We must get measurements to find out what is acceptable or not acceptable and this study is our tool," he said.

Stricter guidelines in the future should not discourage further industrial development, though they may add to overall set-up costs, and indeed should benefit Bahrain as it gains a reputation

as a green industrial hub, a reputation worth having as environmental protection becomes more of a factor in trade.

**Source.: Oxford Business Group
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