



Manufacturing

BUSINESS
friendly
BAHRAIN

1 The manufacturing centre of choice in the Middle East

A thriving centre for industry:

Bahrain provides exceptional opportunities for international businesses considering a Middle East manufacturing hub in order to tap into the fast-growing \$1.6 trillion Gulf market.

We offer a large, educated and skilled local workforce; there is no need to recruit from elsewhere.

The Kingdom is strategically located at the heart of the Gulf with quick, efficient access to every market in the Middle East by road, air and sea.

Infrastructure is excellent and highly developed, with superb logistics facilities and links to near neighbours in the GCC (Gulf Cooperation Council).

We continue to attract investment from major manufacturing companies across industries including downstream aluminium and steel, food and beverages, plastics and chemicals. Indeed, the UNCTAD World Investment Forum ranks Bahrain sixth globally for inward investment on a per capita basis, with investment increasing 12% 2012-13.¹

All of these factors have helped Bahrain's manufacturing sector to grow by 80% in the last five years, and to be on track to account for over 20% of GDP within a decade.

The most attractive investment environment:

Five further factors make Bahrain highly persuasive:

- The cost of setting up and running industrial facilities here is more than competitive – it's low.
- In effect, the whole of Bahrain is a 'free zone', allowing 100% foreign ownership of business and real estate. This allows investors free movement of capital, profits and dividends.
- As well as the GCC and Greater Arab Free Trade Area (GAFTA) Bahrain allows duty-free access for manufactured goods to many world markets via Free Trade Agreements (FTAs). These include the USA, Singapore and Scandinavia.

- Such openness is matched by one of the world's most favourable tax regimes with no corporate or personal taxes, very few indirect taxes and a relatively low cost of living.
- Finally, Bahrain is recognised as making it easy to do business.²

2 Strength across vital sectors

Aluminium production:

The Kingdom has a thriving aluminium sector and is a major specialist in high-quality aluminium products for many industries. Global aluminium demand is predicted to rise by 6.5% in 2015.

Alba (Aluminium Bahrain), one of the world's largest aluminium smelters with 2014 sales at \$2.185 billion⁴, delivers the highest-grade material, creating significant opportunities in downstream aluminium manufacturing. Alba produces more than 930,000 metric tonnes a year. Line 6 expansion is expected to add another 514,000 metric tonnes, bringing production capacity to around 1.45 million metric tonnes.

Three further businesses underline Bahrain's pre-eminence:

Gulf Aluminium Rolling Mill (Garmco), the Middle East's largest with an annual production capacity of 165,000 tonnes, is located close to Alba and is a high-quality source of aluminium sheets and coils.

Midal Cables Ltd is the first company in the Gulf to manufacture and export aluminium and aluminium alloy rods, overhead conductors, wires and conform extrusion products. It is known for its consistent quality and reliability.

Bahrain Aluminium Extrusion Co (Balexco) was the first company of its kind in the Arabian Gulf and annually produces around 25,000 tonnes of high-quality extrusions and systems to international standards for construction.⁵

Chemicals and plastics:

High construction activity, together with low feedstock and energy costs, mean that the MENA region is expected to have a 10% share of global petrochemical production in the next few years. Chemicals and plastics have the most planned industrial projects in the GCC, and are growing strongly.

The GCC chemical industry covers subsectors that include the manufacture of basic chemicals, fertilisers, nitrogen compounds, plastics and synthetic rubber in primary forms. There are also pesticides, paint, inks, soaps and cleaning products, perfumes and cosmetics, as well as synthetic fibres.

Within specialty chemicals, five segments have grown tremendously: construction chemicals, water treatment chemicals, polymer and plastic additives, paints and coating additives, and oilfield chemicals.

The vibrant plastics industry accounts for 11% of total manufacturing in the GCC and is expected to reach 10% in 2015.

Some of the main chemical and plastics companies in Bahrain are GPIC, Abahsain Fiberglass JBF, BASF, BFG International, Lauscha Fiber International, Hempel Paints and Berger Paints.



Consumer goods:

The GCC's increasing population and per capita income are helping drive the region's consumer market, which is set to grow by 7.9% a year and reach \$221 billion in 2015.⁶

A combination of high Bahraini disposable income and younger demographic profile is creating demand for high-value luxury goods and electronics, while the ever-growing working expatriate population is hungry for consumer goods. Such an attractive consumer market has drawn many international players with large-scale operations to Bahrain, including Olayan Kimberley-Clark and Reckitt Benckiser

Steel production:

Bahrain has the world's first fully-integrated steel manufacturing facility, the Foulath Steel Complex, which houses these subsidiaries:

Gulf Industrial Investment Company (GIIC), a worldclass pelletising company that started operation in 1984 and has an annual capacity of 11 million tonnes. It is one of three merchant plants in the world and the only one in the Middle East.

United Steel Company (SULB), which will be the region's only producer of beams and medium and heavy structural steel sections.

Food and beverages:

Food manufacturers are increasingly turning to Bahrain to supply the Gulf and wider Middle East and North Africa regions, where growing populations are driving increased demand for foodstuffs.

Mondelēz, the world's second-largest food and beverage company, has had a state-of-the-art factory in Bahrain since 2008 that annually produces 60,000 tonnes of Kraft cheese and Tang products, 60% of which go to Saudi Arabia.

It recently announced a new \$90 million, 250,000 m² plant that will initially produce 90,000 tonnes of Oreo, Ritz, belVita, Prince and TUC biscuits, as well as Barni cakes, and create up to 300 direct jobs.

3 Outstanding facilities for manufacturers

Bahrain continues to invest heavily in innovative facilities, with a high degree of integration and connectivity.

Bahrain International Investment Park (BIIP):

At around 2,500,000 m², BIIP has been developed by the Bahrain Ministry of Industry and Commerce. The park is easily accessible from the Bahrain International Airport, the Khalifa Bin Salman Port in Hidd and Saudi Arabia via the King Fahd Causeway.

During 2013, 30 new projects were approved – 80% in manufacturing. By the end of 2013, BIIP employed over 3,000 people. In February 2014, it announced that investment had reached \$1.82 billion. At the end of April 2014, 58 companies were in production, versus 43 in 2012 and 31 in 2011.

Companies at BIIP

Mondelēz, formerly Kraft Foods (USA – cheese and powdered beverages)

MTO Corporation (Singapore – components for oil and gas)

Abahsain Fibreglass (Saudi Arabia – E-CR glass fibre)

Banawi Industrial Group (Saudi Arabia – chemicals, packaging and food flavours: corporate headquarters)

RMA Middle East S.P.C (Germany – steel pipeline equipment)

BASF (Germany – chemicals)

JBF (India – polyester films & chips)

Siemens (Germany – metallurgical service centre)

Saudi Arabian Amiantit (Saudi Arabia – GRP and GRE pipe manufacturing)

Chemco Group (India – plastics)

Salman Industrial City Project:

Salman Industrial City is purpose-built for companies looking to set up manufacturing or industrial operations to service the Gulf.

With excellent facilities for industrial development, it is ideally placed next to the new Khalifa Bin Salman Port and close to surrounding infrastructure such as the Bahrain International Airport and the 25 km King Fahd Causeway to Saudi Arabia.

Salman Industrial City Project:

The Bahrain Logistics Zone (BLZ) is the only dedicated customs-free, value-added logistics park in Bahrain and the Middle East's first multi-modal logistics hub to focus on re-export and value-added activities. The park is located close to the Kingdom's Khalifa Bin Salman Port and offers the choice of building new facilities or renting state-of-the-art warehouses with scope to operate modern logistics. Work is underway to increase the size of the BLZ site by 150%, which will help attract up to \$600 million in direct investment.

BLZ has gained the attention of international logistics players and signed various leasing contracts. It also received the Free Zone Authority Award in the 2011 Dubai Seatrade Middle East and Indian Subcontinent Awards. As for success stories, MENA Energy DMCC recently chose BLZ to establish Bitumena, a \$20 million facility that packages and ships bitumen to customers globally. Schmidt Middle East Logistics, part of Schmidt Heilbronn and considered an international pioneer in logistics services, has set up a base at BLZ to expand its GCC chemical logistics operations.

Light industry development:

The 600,000 m² Investment Gateway Bahrain development began construction off the Hidd coast at the end of 2011.

It will house several light industrial projects, a business park, showrooms, warehouses and assembly units.

Technology:

Bahrain is already a global hub for the metals industry, and expanding. Technology giant Siemens has chosen the Kingdom as the base for a major Middle East centre for regional and global metal producers. Other companies are due to join this centre.

4 How the Economic Development Board can help

The Bahrain Economic Development Board (EDB) is a dynamic public agency with an overall responsibility for attracting inward investment into Bahrain, and is focusing on target economic sectors in which the Kingdom offers significant strengths.

Key areas of focus include manufacturing, ICT, and logistics and transport services as well as other sub-sectors.

The Financial Services sector in Bahrain is particularly strong and the EDB supports in the continuing growth of the banking industry and key sub-sectors, including Islamic Finance, Asset Management, Insurance and Re-Insurance.

So what does this mean for you?

- We offer a no-cost practical facilitation service for first-time investors, and ongoing support to businesses already here.
- We can act as your first point of contact in the Kingdom.
- We can discuss incentive packages to make the set up even more attractive.
- We do our best to understand your objectives and respond to them efficiently, providing all the information you need to set up your business quickly and smoothly.

In short, we are here to help you.

Welcome to Bahrain.



1 Bahrain Economic Development Board, Bahrain Economic Quarterly, June 2014
2 World Bank Group, Doing Business 2014
3 Wall Street Journal, 18 February 2014
4 Alba (Aluminium Bahrain B.S.C.), February 2015

5 BALEXCO (Bahrain Aluminium Extrusion Company)
6 Gulf Industry Worldwide, 1 February 2014

5 Manufacturing – summary

- Strategically located in the heart of the Gulf
- Significant investment in industrial development
- Low plant set-up and running costs – including energy costs
- A strongly established aluminium industry
- The Gulf's most highly skilled local workforce
- 100% foreign ownership: free repatriation of capital, profits or dividends
- Excellent infrastructure and logistics facilities
- Sustained growth across a range of industrial sectors
- An open commercial environment
- Commitment to leading-edge technologies

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