

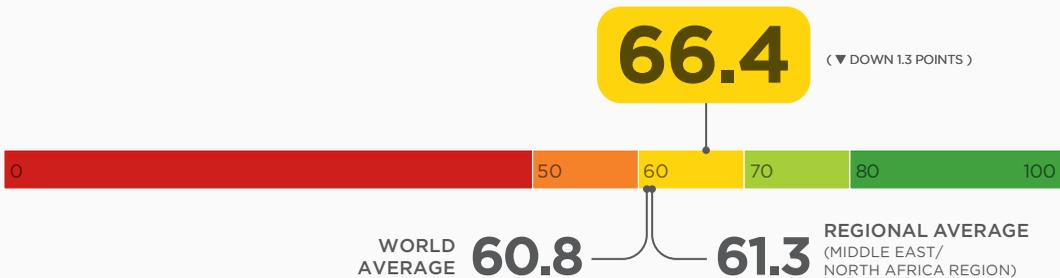
# BAHRAIN

Bahrain's economic freedom score is 66.4, making its economy the 54th freest in the 2019 *Index*. Its overall score has decreased by 1.3 points because of declines in **business freedom**, **labor freedom**, **judicial effectiveness**, and **government spending**. Bahrain is ranked 5th among 14 countries in the Middle East and North Africa region, and its overall score is above the regional and world averages.

Bahrain continues to be affected by the political unrest that began after the Arab Spring in 2011, which is driven by long-standing complaints of the country's Shia majority. Rising global oil prices may help the government to reduce the budgetary deficit, but pressures to maintain higher public spending persist in the face of persistent social unrest and intermittent political violence. The government faces the long-term challenge of boosting the country's regional competitiveness and reconciling revenue constraints with popular pressure to maintain generous state subsidies and a large public sector.



## ECONOMIC FREEDOM SCORE

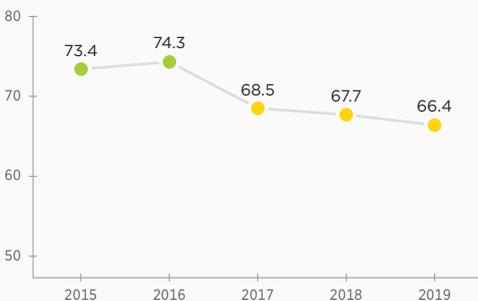


**RELATIVE STRENGTHS:**  
Tax Burden and Trade Freedom

**HISTORICAL INDEX SCORE CHANGE (SINCE 1995):**  
-9.8

**CONCERNS:**  
Fiscal Health and Judicial Effectiveness

## FREEDOM TREND



## QUICK FACTS

**POPULATION:**  
1.5 million

**GDP (PPP):**  
\$70.4 billion  
3.2% growth in 2017  
5-year compound annual growth 3.8%  
\$48,505 per capita

**UNEMPLOYMENT:**  
1.2%

**INFLATION (CPI):**  
1.4%

**FDI INFLOW:**  
\$518.9 million

**PUBLIC DEBT:**  
90.3% of GDP

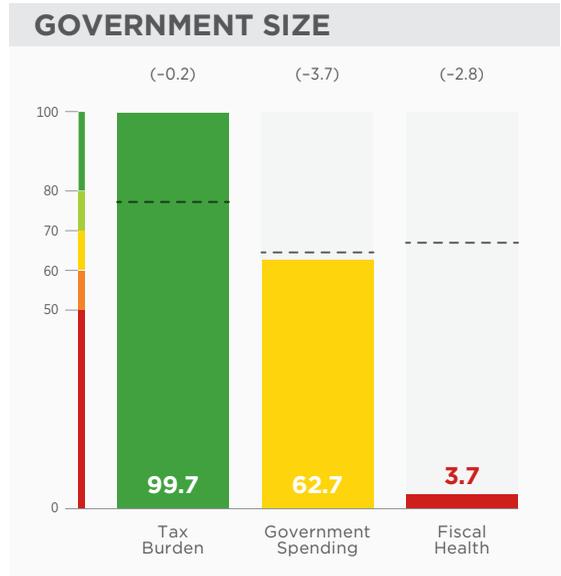
*2017 data unless otherwise noted. Data compiled as of September 2018*

**BACKGROUND:** Ruled since the 18th century by the Al-Khalifa family, initially as a British protectorate, Bahrain gained its independence in 1971 and became a constitutional monarchy in 2002. In 2011, Bahrain was engulfed by domestic unrest spearheaded by Shia political activists demanding a new constitution and greater political power. King Hamad bin Isa Al-Khalifa authorized a crackdown that subsequently was supported by Gulf Cooperation Council security forces. A national dialogue led by the crown prince and the introduction of law enforcement, intelligence, and judicial reforms eventually eased tensions, and growing tourism has encouraged economic recovery. Oil revenues support 85 percent of the government budget. A banking and financial services hub, Bahrain is the regional home for many multinational firms.

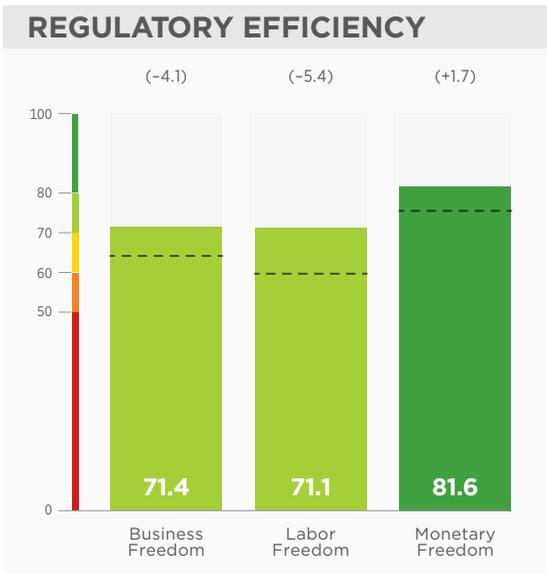
# 12 ECONOMIC FREEDOMS | BAHRAIN



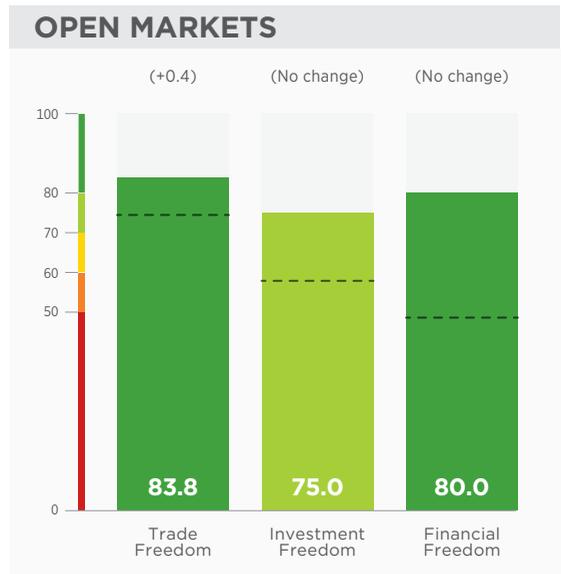
Bahrain's legal system adequately protects and facilitates acquisition and disposition of property rights. Expropriation is infrequent. The Al-Khalifa royal family appoints all judges, and the judicial system is seen as corrupt, with outcomes often depending on connections. Government tendering procedures are not always transparent, and contracts are not always awarded based solely on price and technical merit. Petty corruption is relatively rare.



Bahrain imposes no taxes on personal income. Most companies are not subject to a corporate tax, but a 46 percent tax is levied on oil companies. The overall tax burden equals 5.6 percent of total domestic income. Over the past three years, government spending has amounted to 35.3 percent of the country's output (GDP), and budget deficits have averaged 17.2 percent of GDP. Public debt is equivalent to 90.3 percent of GDP.



The regulatory framework is relatively streamlined, but minimum capital requirements for starting a firm are higher than the level of average annual income. There is no nationally mandated minimum wage, but wage increases have exceeded overall productivity growth. Looking to ease its fiscal burden, the cash-strapped government is negotiating with the parliament to reduce subsidies on such goods and services as fuel, electricity, and water.



The combined value of exports and imports is equal to 139.6 percent of GDP. The average applied tariff rate is 3.1 percent. As of June 30, 2018, according to the WTO, Bahrain had seven nontariff measures in force. The banking sector remains well capitalized. Foreign and domestic investors have access to a wide range of financial services. About 85 percent of adult Bahrainis have access to an account with a formal banking institution.