

BAHRAIN

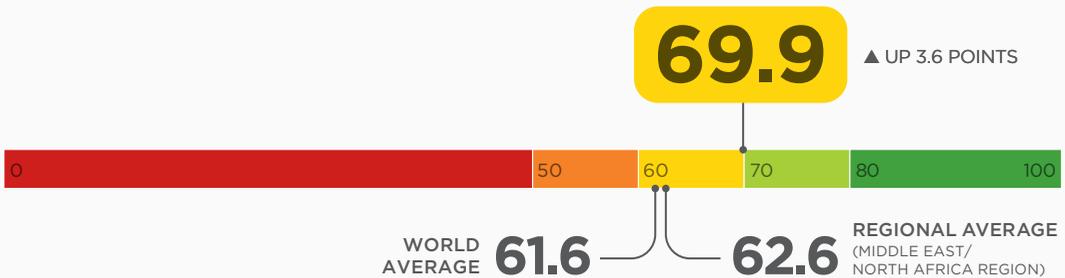
Bahrain's economic freedom score is 69.9, making its economy the 40th freest in the 2021 *Index*. Its overall score has increased by 3.6 points, primarily because of an improvement in **judicial effectiveness**. Bahrain is ranked 4th among 14 countries in the Middle East and North Africa region, and its overall score is above the regional and world averages.

After five years in the moderately free category, Bahrain's economic freedom score has rebounded, and the country is now poised to make it back over the threshold into the ranks of the mostly free. The principal obstacle facing the country is its massive debt. The fiscal health indicator score for Bahrain is one of the lowest in the world.

IMPACT OF COVID-19: As of December 1, 2020, 341 deaths had been attributed to the pandemic in Bahrain, and the economy was forecast to contract by 4.9 percent for the year.

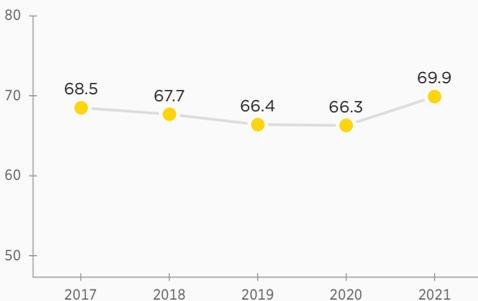


ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): -6.3

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
1.6 million

GDP (PPP):
\$76.9 billion
1.8% growth in 2019
5-year compound annual growth 2.8%
\$46,892 per capita

UNEMPLOYMENT:
0.7%

INFLATION (CPI):
1.0%

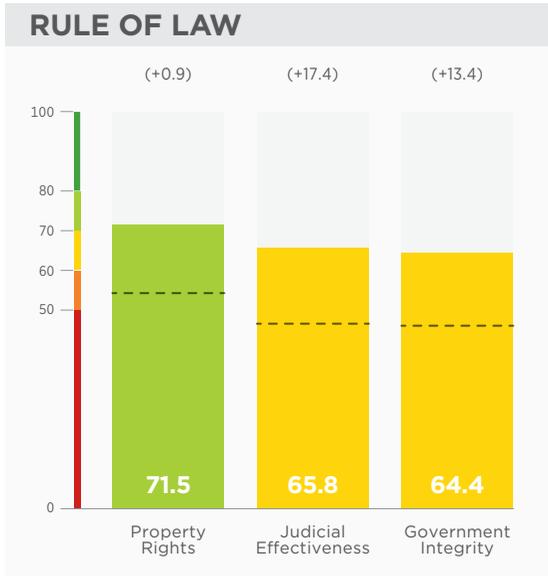
FDI INFLOW:
\$941.8 million

PUBLIC DEBT:
103.9% of GDP

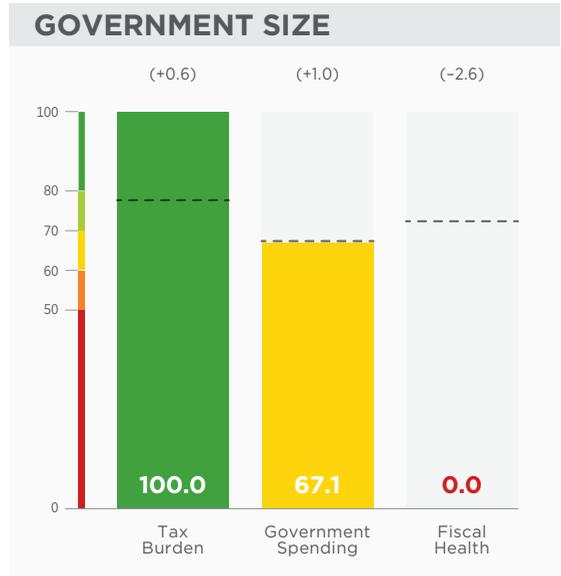
2019 data unless otherwise noted. Data compiled as of September 2020

BACKGROUND: Ruled since the 18th century by the Al-Khalifa family, initially as a British protectorate, Bahrain gained independence in 1971 and became a constitutional monarchy in 2002. Domestic unrest in 2011, spearheaded by Shia political activists demanding a new constitution and greater political power, led to a crackdown supported by Gulf Cooperation Council security forces. Adoption of key reforms by the crown prince eventually eased tensions, but some opposition parties were banned in 2018. Oil revenues support 85 percent of the government budget. Bahrain is a banking and financial services hub and the regional home for many multinational firms. A peace agreement with Israel signed in September 2020 should clear the way for normalization of trade, investment, technological cooperation, and tourism between the two countries.

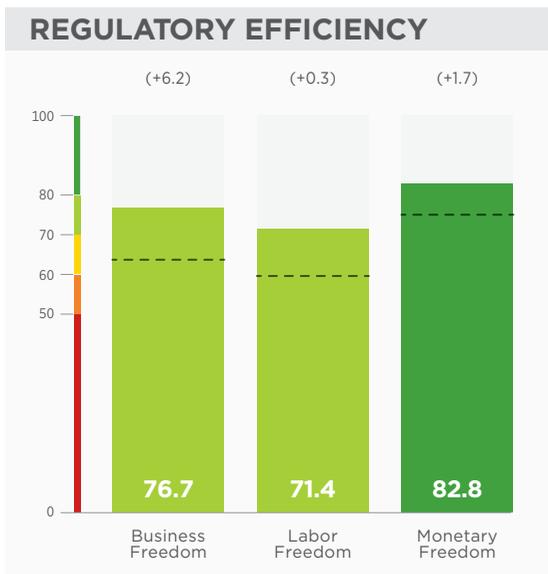
12 ECONOMIC FREEDOMS | BAHRAIN



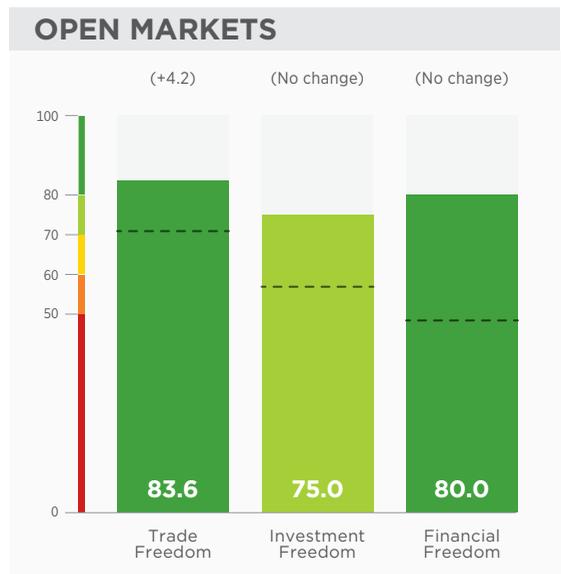
Property rights are generally respected, and expropriation is rare. Most land has a clear title. The Al-Khalifa royal family appoints all judges, and the judicial system is seen as corrupt, with outcomes often depending on one's connections. Enforcement of anticorruption laws is weak. High-ranking officials or members of the royal family who are suspected of corruption are rarely punished.



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 1.1 percent of total domestic income. Government spending has amounted to 33.1 percent of total output (GDP) over the past three years, and budget deficits have averaged 12.3 percent of GDP. Public debt is equivalent to 103.9 percent of GDP.



The processes for dealing with construction permits, obtaining electricity and credit, registering property, enforcing contracts, and resolving insolvency have been improved. Minority owners of businesses have gained protections as well. Labor courts are inefficient and largely ineffective. The government continues to fund its cumbersome and expensive but politically popular subsidy system.



Bahrain has four preferential trade agreements in force. The trade-weighted average tariff rate is 5.7 percent, and nine nontariff measures are in effect. The overall investment framework is generally positive and remains transparent. Foreign and domestic investors have access to a wide range of financial services. The banking sector remains well capitalized. Over 80 percent of adult Bahrainis have access to an account with a formal banking institution.