

TRADE IN FOCUS



BAHRAIN AND BRAZIL BILATERAL TRADE ACTIVITY

November 2021



Introduction

Relations between the Federal Republic of Brazil and the Kingdom of Bahrain were established in 1976, marking 45 years of diplomatic relations in 2020. The two countries have maintained friendly relations, and Bahrain has expressed its keenness to further develop bilateral relations through opportunities in political, economic, commercial, and cultural fields. Bahrain and Brazil signed an MOU in July 2018 on political consultation between the Ministry of Foreign Affairs of the Kingdom of Bahrain, and the Ministry of Foreign Affairs of the Federal Republic of Brazil. The visit of His Excellency President Jair Bolsonaro to Bahrain in November 2021 will further strengthen the diplomatic and economic ties between the two countries.

Brazil is the eighth largest economy in the world, with a GDP of \$3.5 trillion dollars, and is home to 211 million people. FDI inflows to the Federal Republic of Brazil amount to \$72 billion dollars,

and are largely concentrated in the commerce, mineral products, chemical products, and financial sectors. Brazil has many advantages that make it attractive for international investors, including an abundance of raw materials, a diversified economy, and a strategic geographic position that allows easy access to other South American countries.

The trade relationship between Bahrain and Brazil has been continuously growing. The total trade exchange between the two countries grew by 149% between 2016 and 2019, before contracting slightly by 3.8% in 2020 due to the COVID-19 pandemic. The promising sectors for cooperation between Bahrain and Brazil include healthcare, fintech, renewable energy and environmental solutions, the automotive industry, and agribusiness.

*Source: Heritage, Ministry of Foreign Affairs, Information and E-Government Authority



Bahrain's Economy

Bahrain's GDP by Sector

The largest sectors of the non-oil economy were characterized by a high degree of continuity. The contribution of the Financial Corporation sector to the GDP in the fourth quarter of 2020 was around 19% followed by Government Services with a contribution of 13% in the same period.

Sectors	GDP Contribution
The Financial Corporations	19.04%
Government Services	12.99%
Mining & Quarrying	18.59%
Manufacturing	14.49%
Transport and Communication	5.67%
Trade	4.36%

The Kingdom's success in increasing foreign direct investment continues, according to the preliminary results of the foreign investment survey for the fourth quarter of 2019, conducted by the Information and e-Government Authority in cooperation with the Central Bank of Bahrain and the Economic Development Board. The results showed an increase in the flow of foreign direct investment to Bahrain during the fourth quarter of 2019 by approximately 235.3 million Bahraini dinars, which raised the value of foreign direct investments until the end of the fourth quarter to 11.4 billion Bahraini dinars.

The statistics indicate that the majority of FDI inflows are concentrated in the financial corporations and manufacturing sectors. Total FDI inflows in the

financial sector amounted to about 8,296.6 million Bahraini dinars, an increase of 1.8% from inflows in the third quarter of 2019. Total FDI inflows in the manufacturing sector amounted to 1,496.9 million Bahraini dinars in the end of 2019, which is a 1.1% increase compared to the previous quarter. Most FDI inflows were from Kuwait during the fourth quarter of 2019 and amounted to 86.1 million Bahraini dinars, followed by Saudi Arabia with an inflow of 22.8 million Bahraini dinars.

FDI by Sector in Bahrain in Q4 2019

Commodity	Balance of incoming investments (million BHD)	Sector contribution to the total value of investments
Financial and insurance activities	8,296.6	72.9%
Manufacturing	1,496.9	13.2%
Trade	663.5	5.8%
Information and Communication	287	2.5%
Other	636.5	5.6%
Total	11,380.5	

* Source: Ministry of Finance and National Economy - Information and E-Government Authority

Focus Sectors for Attracting FDI:

1. Oil and Gas
2. Tourism
3. Logistics
4. Manufacturing
5. Financial Services
6. Telecommunications, IT and digital economy

* Source: EDB



Advantages of Foreign Investment in Bahrain

1

Located at the heart of the Gulf region, Bahrain has a natural geographic advantage, which is continually enhanced through new infrastructure projects. Combined with the country's incentives, it delivers an investment-encouraging environment. Some of the incentives that Bahrain offers are low establishment and operational costs for businesses, few indirect taxes for private enterprises and individuals, one hundred percent foreign ownership of business assets, etc. Thus, Bahrain can make a significant difference to profitability.

2

100% foreign ownership of businesses in most of Bahrain's thriving sectors.

3

Ease of doing business with minimum hurdles for creating and operating establishments.

4

It has one of the highest qualities of life in the Middle East.

5

It has excellent educational institutions, healthcare, and shopping facilities.

6

It has a young, educated, bilingual local workforce.

7

It boasts a 40-year track record as the Gulf's leading financial center.

8

It provides access to a regional market of 1.5 billion people, Arab countries with 300 million people and a Gulf Cooperation Council (GCC) market of 40 million people.

9

Conducive business environment: Bahrain's government works closely with businesses and regulators to explore opportunities to enhance Bahrain's business environment and nurture optimum commercial conditions. This collaboration has seen Bahrain take solid steps towards introducing initiatives that create an enabling and innovative ecosystem, which allows businesses to thrive.

10

Forward thinking government: With a track record of pioneering under its belt, Bahrain continues to move forward with policies and reforms that empower businesses and industries to establish themselves and grow.

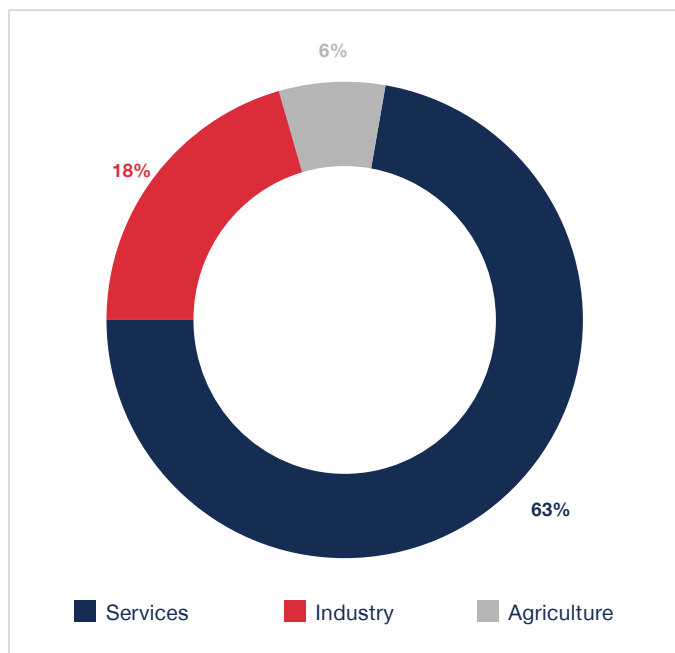
*Source: Ministry of Industry, Commerce, and Industry



Brazil's Economy

Brazil is one of the world giants of mining, agriculture, and manufacturing, and it has a strong and rapidly growing services sector. It is a leading producer of a host of minerals, including iron ore, tin, bauxite (the ore of aluminum), manganese, gold, quartz, and diamonds and other gems, and it exports vast quantities of steel, automobiles, electronics, and consumer goods. Brazil is the world's primary source of coffee, oranges, and cassava (manioc) and a major producer of sugar, soy, and beef.

Brazil's GDP by Sector



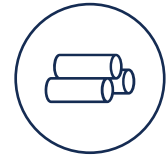
*Source: Statista

In 2020, 63% of Brazil's GDP came from the services sector, whereas agriculture and industry combined accounted for 24%. These three sectors contribute the highest amount towards Brazil's GDP; the remaining 13% of the GDP comes from multiple other sectors of the economy. The services sector consists of the provision of services both to other businesses and to final consumers, and the sector often encompasses transportation, distribution, and sale of goods.

FDI by Sector in Brazil



20%
Commerce, except
vehicles



13%
Non-metallic mineral
products



6.40%
Chemical products



6.10%
Financial and auxiliary
services



5%
More vehicles, trailers,
semi-trailers and
related parts



4%
Telecommunications



3.80%
Information technology
services



3.80%
Oil and gas extraction

*Source: Santander Trade

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According to 2019 data, commerce (except vehicles) accounted for 20% of the FDI inflows in Brazil and investments in non-metallic mineral products were 13%. Respectively, both chemical products and financial auxiliary services accounted for about 6% of FDI inflows.

It is clear that the Kingdom of Bahrain and Brazil have a number of common sectors that attract significant foreign investment, the most important of which are the

financial and insurance sector, the technology sector, and communications and information.

The contribution of the financial and insurance sector in Bahrain constitutes 72.9% of the total value of investments, compared to 6.1% in Brazil. In addition, 2.5% of the total value of investments in Bahrain is concentrated in the Information and Communication sector, compared to 4% in Brazil.





Advantages of Foreign Investment in Brazil

Brazil is an attractive market for international investors due to several factors: a domestic market of nearly 210 million inhabitants, availability of easily exploitable raw materials, a diversified economy that is less vulnerable to international crises, and a strategic geographic position that allows easy access to other South American countries.

Brazil has the following advantages:

- Extensive natural resources
- A large middle-class and a large domestic market (5th largest population in the world).
- A strategic geographic location.
- A diversified economy, well anchored in international exchanges (FDI inflows and foreign exchanges reserves are important, low external debt).
- Export sectors, especially in industry, represent investment opportunities, thanks to the weakness of the real exchange rate.

The Brazilian Government encourages and promotes FDI. The National Investment Bank (BNDES), one of the largest development banks in the world, encourages foreign investment. Most of the barriers to foreign investors have been removed, particularly on the stock market. A very large number of public companies have been privatized and many sectors were deregulated over the last fifteen years.

Among the Brazilian initiatives to attract investors there are numerous incentives: Inovar-Auto Programa, that aims at improving technological development and energy efficiency; Consulta Pública Ex-Tarifário, which enables increased innovation by companies through a temporary reduction in the rate of tax on the import of capital goods; Renai, which provides information to potential investors on business opportunities in Brazil. Moreover, Brazil's federal government offers investment support through funding and agreements limiting double taxation.

Foreign Direct Investment	2018	2019	2020
FDI Inward flow (million USD)	59,802	65,386	24,778
FDI Stock (million USD)	568,741	705,031	608,086
Number of Greenfield investments *	332	355	219
Value of Greenfield investments (million USD)	15,412	30,814	17,015

*Note: * Greenfield Investments are a form of Foreign Direct Investment where a parent company starts a new venture in a foreign country by constructing new operational facilities from the ground up.*

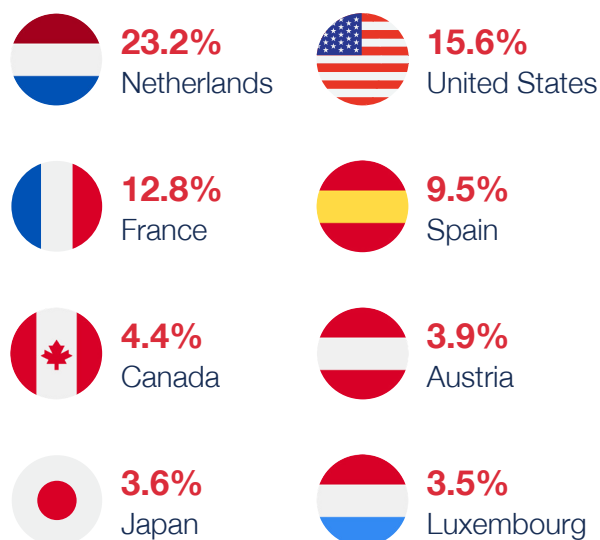
Procedures for Foreign Investment

The investment regime in Brazil is liberal and allows foreign investors to have a majority stake in the creation of the company. Any foreign investor must appoint a representative in Brazil who, alongside the representative of the FDI receiving company, is responsible for registering the establishment with the Brazilian Central Bank's FDI unit. However, foreign investment is restricted and requires special authorization if the activities involve: mineral resource prospecting or mining, telecommunications, broadcasting, and healthcare.

FDI Inflows to Brazil by Country

The main investing countries in Brazil are the Netherlands (23.2%), the United States (15.6%), and France (12.8%). According to Santander, the preferred form of company by foreign investors are large companies, mergers, and international acquisitions.

Main Investing Countries in 2019



*Source: Santander Trade

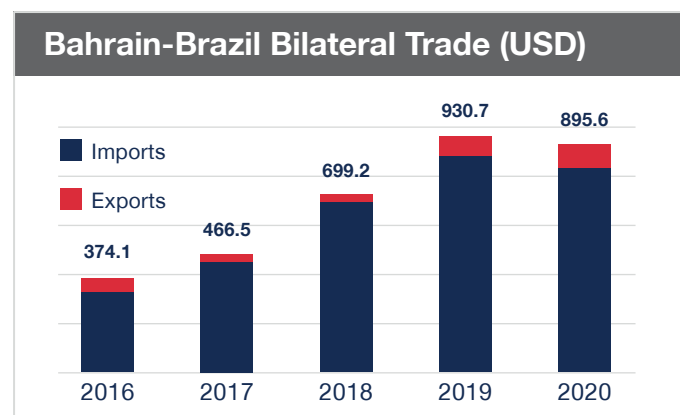


Economic Comparison between Brazil and the Kingdom of Bahrain

Commodity	Brazil	Bahrain
General Information		
Population	211,000,000	1,492,584
Area	8.516 million square kilometers	778.3 square km
Independence	1822	1971
Currency exchange Rate (USD)	5.24 Brazilian Real	0.376 BHD
GDP and prices (Annual change ratio / USD)		
Real GDP growth (2020)	-4%	-5.8%
GDP per capita (US\$)	\$6,796	\$23,504
The government (Contribution as a proportion of GDP) 2020		
Expenses	42.73%	36.12%
Public Debt	98.94%	132.88%
Trade (US\$1 billion)		
Export	225.3	14.3
Major Export partners	China, USA, Netherlands	Saudi Arabia, Oman, Malaysia
Import	177.3	20.6
Major Import partners	USA, Argentina, Germany	China, UAE, USA
Trade Balance	48	-6.2
Interest		
Interest rate	2.3%	1%
Other economic indicators (USD/1 billion)		
Inflation	1.88%	-2.3%
FDI (US\$1 billion)	\$69.17 (2019)	\$0.94 (2019)
Current account	-24.074 (2020)	-2.435 (2018)
International rankings		
Credit ratings By Standard & Poor's	BB-	B+
Economic Freedom Index	143rd	40th
Human Development Index	84th	42nd



Bahrain-Brazil Total Trade Performance



Trade between Bahrain and Brazil grew in 2019 by 33.1%

Since 2016, the volume of trade between Bahrain and Brazil has been rapidly growing. Trade between Bahrain and Brazil grew between 2017 and 2018 by 50% and 33% respectively before contracting by 3.8% in 2020 due to impact of the Covid-19 pandemic.

Major Products Traded

Bahrain Imports from Brazil

6 of the top 10 imports from Brazil contracted while 2 witnessed a positive y-o-y growth

In 2020, Bahrain's major imported products included non-agglomerated iron ores and concentrates, which accounted for 78.6% of the total share of imports from Brazil in 2020. However, the imports contracted by -14.6% from 2019. The second most prominent imported product in 2020, that was not previously imported in 2019, was other aluminium oxide, and it accounted for 8.2% of total annual imports. The third major imported product in the year 2020 was meat of fowls of the species Gallus domesticus (whole frozen chickens), which had a positive annual growth rate of 29% and accounted for 5.6% of Bahrain's annual imports from Brazil.

Bahrain Major Imported Products from Brazil

Commodity	2020 (USD)	% Share	y-o-y growth
Non-agglomerated iron ores and concentrates	635,400,428	78.6%	-14.61%
Other aluminium oxide	66,094,106	8.2%	N/A
Meat of fowls of the species gallus domesticus not cut in pieces, frozen (whole frozen chicken)	45,639,918	5.6%	29.17%
Cuts and offal of fowls of the species gallus domesticus, frozen	16,217,635	2.0%	-8.50%
Petroleum cock not calcined	10,992,317	1.4%	-19.61%
Non-coniferous bleached soda or sulphate pulp	9,388,508	1.2%	-32.05%
Other casing, tubing and drill pipe, of a kind used in drilling for oil or gas	5,906,801	0.7%	-28.73%
Other boneless meat of bovine animals, frozen	3,395,227	0.4%	15.22%
Parts of industrial or laboratory furnaces	1,725,440	0.2%	N/A
Nescafe, yuban, maxweell, etc	1,155,002	0.1%	-54.59%

Source: Information and E-Government Authority



Bahrain Exports to Brazil

4 of Bahrain's top 10 exports to Brazil are products that were not exported in 2019

In 2020, Bahrain's top export to Brazil was aluminum wire (not alloyed and over 7mm thick), which accounted for 60% of annual exports and had a positive growth rate of 37.4% compared to 2019. The second major exported commodity, which was

not previously exported in 2019, was Urea (whether or not in aqueous solution), and it contributed to 20% of total exports to Brazil in 2020. The third major export in 2020, which was also not exported in 2019, was unwrought aluminum alloys, and it accounted for 7.8% of total exports. There was a significant increase of 382% in the export value of Polyethylene terephthalate sheets, film, etc. to Brazil from USD 67,433 in 2019 to 324,779 in 2020.

Bahrain Major Exported Products to Brazil

Commodity	2020 (USD)	% Share	y-o-y growth
Aluminum wire, not alloyed, over 7 mm thick	52,315,834	59.7%	37.40%
Urea, whether or not in aqueous solution	17,795,685	20.3%	N/A
Unwrought aluminium alloys	6,811,228	7.8%	N/A
Other aluminum wire and cable, not insulated	4,662,158	5.3%	-81.67%
Other aluminum wire, alloyed	1,330,977	1.5%	-20.54%
Aluminum wire, alloyed, over 7 mm thick	1,313,173	1.5%	-14.90%
Artificial corundum	1,196,676	1.4%	-46.12%
Unwrought aluminium, not alloyed	977,142	1.1%	N/A
Rectangular alloyed aluminum plates, over 0.2 mm thick	502,109	0.6%	N/A
Polyethylene terephthalate sheets, film, etc.	324,779	0.4%	381.63%

*Source: Information and E-Government Authority



Main Traded Commodities between Bahrain and Brazil in 2018

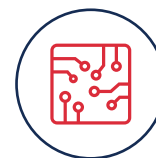
Top Exports



Polyethylene
Terephthalate Sheets



Urea, Whether or not in
Aqueous Solution



Artificial Corundum



Aluminum

Top Imports



Gas-Filtering Machinery



Petroleum Coke



Cements



Drilling Platforms



Meat



Wood



Cotton



Non-Agglomerated Iron
Ores and Concentrates

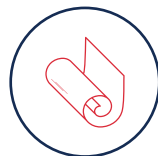


Main Traded Commodities between Bahrain and Brazil in 2019

Top Exports



Aluminum



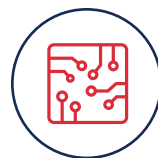
Polyethylene
Terephthalate Sheets



Private Cars



Plastic Sheets



Artificial Corundum

Top Imports



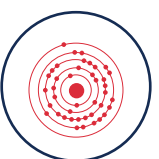
Meat



Wood



Petroleum Coke



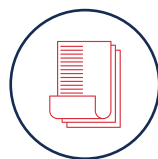
Ferro-Niobium



Casing, Tubing and
Drill Pipe



Non-Agglomerated Iron
Ores and Concentrates



Paper and Paperboard

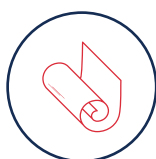


Main Traded Commodities between Bahrain and Brazil in 2020

Top Exports



Urea, Whether or not in
Aqueous Solution



Polyethylene
Terephthalate Sheets

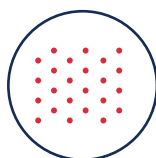


Artificial Corundum



Aluminum

Top Imports



Aluminum Oxide



Petroleum Coke



Meat



Wood



Parts for Industrial or
Laboratory Furnaces



Non-Agglomerated Iron
Ores and Concentrates



Casing, Tubing and Drill Pipe



Untapped Trade Potential Between Bahrain and Brazil

The following tables provide an overview of the top 10 commodities with untapped potential for trade between Bahrain and Brazil according to the International Trade Centre's Export Potential Map which collaborates with Export Bahrain. The ICT trade potential tool calculates the potential trade

gap as "supply x demand (corrected for market access) x bilateral ease of trade". Supply and demand are projected into the future based on the GDP and population forecasts, demand elasticities and forward looking tariffs. (International Trade Centre, 2021).

Import potential from Brazil to Bahrain – Top 10 products

Bahrain Untapped Import Potential from Brazil			
Product	Potential (USD)	Actual (USD)	Untapped Potential (USD)
Fowls, whole, frozen	\$46.5m	\$30.9m	\$15.6m
Aluminium oxide, nes	\$16.8m	\$10.3m	\$6.5m
Fowls, cuts & offal, frozen	\$16.3m	\$13.3m	\$3.1m
Raw cane sugar	\$8.6m	\$7.8m	\$782.1k
Motor vehicles for the transport of persons	\$5m	\$26.5k	\$5m
Bovine cuts boneless, frozen	\$645.4k	\$0	\$645.4k
Silicon, < 99,99% silicon	\$2.2 m	\$8.8 k	\$2.2 m
Cotton, not carded/combed	\$1.1 m	\$674.5 k	\$390.6 k
Motor vehicles for the transport of >=10 persons, incl. driver	\$921.3 k	\$0	\$921.3 k
Meat or offal of fowls of the species	\$918.9 k	\$66.3 k	\$852.5 k

*Source: International Trade Centre, 2021

In terms of untapped import potential from Brazil, the first major commodity is Fowls, whole, frozen, with an estimated \$15.6 million gap. This is followed by Aluminum oxides with an estimated import gap

of \$6.5 million to add to the already \$10.3 million worth of the product imported to the Kingdom. The untapped potential for imported products alone stands at approximately \$40 million.



Export potential from Bahrain to Brazil – Top 10 products

Bahrain Untapped Export Potential to Brazil			
Commodity	Potential (USD)	Actual (USD)	Untapped Potential (USD)
Urea	\$35.4m	\$32.2m	\$3.2m
Wire, of aluminum alloys >7mm	\$13.5m	\$8.3m	\$5.2m
Aluminum, not alloyed, unwrought	\$11.6m	\$196.7k	\$11.4m
Aluminum alloys, unwrought	\$6.5m	\$618.4	\$5.9m
Plates of aluminum alloys, square/rectangular	\$5.8m	\$0	\$5.8m
Methanol “methyl alcohol”	\$4.2m	\$53.5k	\$4.2m
Rails, of Iron/steel	\$2.1m	\$0	\$2.1m
Parts and accessories of motor vehicles	\$1.2m	\$0	\$1.2m
Food preparations	\$995.6k	\$0	\$995.6k
Wire of aluminum alloys greater than 7mm	\$979.6k	\$719.7k	\$259.8k

In terms of untapped export potential to Brazil, the first major commodity with the highest value is Urea, at \$3.2million. Looking at untapped potential alone, the highest valued product is Aluminum, not alloyed,

unwrought at an untapped potential of \$11.4 million. The combined value of the top 10 products with untapped potential is approximately \$40.25 million.

*Source: International Trade Centre, 2021



Investment Opportunities in Brazil

Key sectors of the Brazilian Economy

Agriculture (sugar cane, coffee, oranges, soya, bananas, walnuts, cashew nuts, corn, pineapples, and peppers), beef, poultry, tobacco leaves; mineral ores, iron, and aluminum. Brazil is also developing the aeronautics, pharmaceutical, automobile, iron and steel, and chemical sectors.

Sectors with high potential:

Agricultural biotechnology, crop and livestock, agricultural commodities, digital technology, aerospace, chemical and petrochemical production, oil and gas extraction, clean energy, metal extraction, commerce, transportation, metallurgy, motor vehicles, trailers, real estate, electricity, and gas.

Sectors with low potential:

Foreign capital is prohibited in activities relating to nuclear power, mail and telegraph services, and the aerospace industry.



Agriculture in Brazil

Brazil is one of the largest producers and exporters of agricultural products in the world. The growth in Brazil's agricultural sector stems from the fact that the country has almost 960 million acres of arable land, the largest area of arable land in the world. Due to favorable agricultural conditions, and much of the country receiving 1,200 mm of rainfall per year as well as abundant sunlight, two crop cycles per year can be achieved without the need for additional irrigation in some regions. Concerns surrounding

food security have increased investments in the agricultural industry, particularly in Brazil. The increase in cultivated land has been accompanied by developments and investments in agricultural technology. New technological advances to increase the productivity and competitiveness of Brazilian agribusiness are integral in overcoming the challenges of the growing global demand for food and pose an attractive investment opportunity.

Brazil's main export markets for its agricultural products are China, USA, Russia, the EU, and Japan. The Brazilian agricultural sector does not rely on government subsidies to be competitive, and is a world leader in supplying meat, orange juice, sugar, soybeans, coffee, ethanol, tobacco, poultry, and cellulose.

Potential Commodities for Trade



Oranges



Coffee and tea



Soybeans



Cacao



Corn



Bananas



Rice



Palm oil



Automotive Sector in Brazil

Brazil is the largest auto market in South America, as well as the largest auto producer, accounting for 50% of all types of vehicles sold in the region in 2018. Brazil is also the world's 8th largest producer of vehicles, with 26 manufacturers and 473 auto part companies in operation. The total workforce that are directly and indirectly working within the sector is around 1.3 million. The total contribution of the auto sector to Brazil's GDP in 2019 is 18%. The sector has shown continuous growth, growing by 2.3%, and reaching 2.94 million vehicles in 2019. The number of vehicles produced in Brazil has grown by 77% from 2008 to 2018.



Manufacturing Sector in Brazil

Since the mid-20th century Brazil has been a major world supplier of automobiles, producing nearly two million vehicles per year. Other major manufactured products include electrical machinery, paints, soaps, medicines, chemicals, aircraft, steel, food products, and paper. Brazil has been a major producer of textiles, clothing, and footwear since the early 19th century. The textile industry began in Bahia in 1814, using local supplies of raw cotton; it is now centered in São Paulo and Fortaleza. The footwear industry, centered in Rio Grande do Sul, began in the 1820s with small leather works supplied by surplus hides from the meatpacking industry.

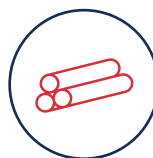
Potential Commodities for Trade



Automobiles and Aircrafts



Electrical machinery



Steel



Food products



Paints



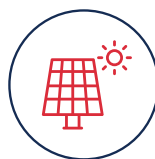
Soaps



Medicines



Chemicals



Renewable Energy

Brazil has one of the cleanest electricity matrices in the world with renewables representing over 80% of the country's power generation capacity. The country is the 9th largest power consumer and producer in the world, having a competitive and well-established regulatory and legal framework in the power sector, with long term Power Purchase Agreements (over 20 years), track recorded incentives, and a balance between state-owned and private-sector initiatives.

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Brazil's national energy plan focuses on non-hydrocarbon energy sources as the main alternatives to maintain electrical supply for its growing energy demands. Brazil is the 7th largest country in investments in clean energy and is the 6th most attractive country for clean energy investments.

Solar PV and wind energy are the most promising sectors for investors seeking opportunities in the Brazilian economy. Bloomberg New Energy Finance expects the installed capacity of Wind and Solar PV to increase from 4.4% in 2015, to 44% by 2040.

Potential Commodities for Trade



Iron Ore



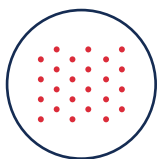
Tin



Copper



Pyrochlore



Bauxite



Granite

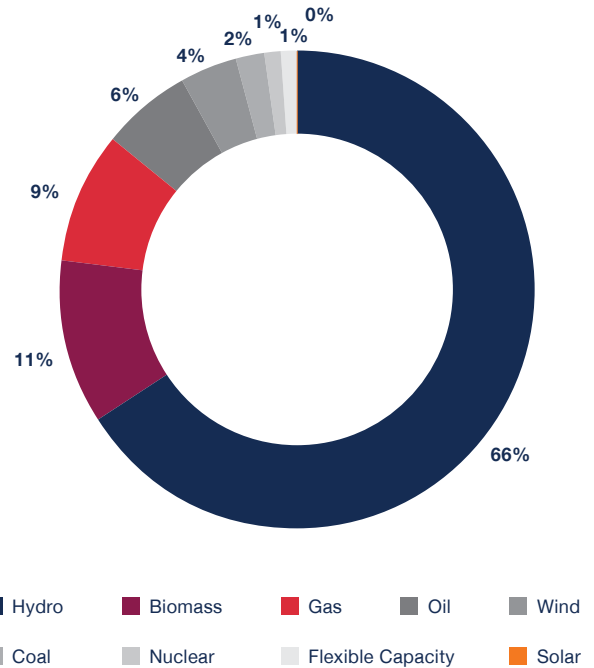


Manganese and asbestos

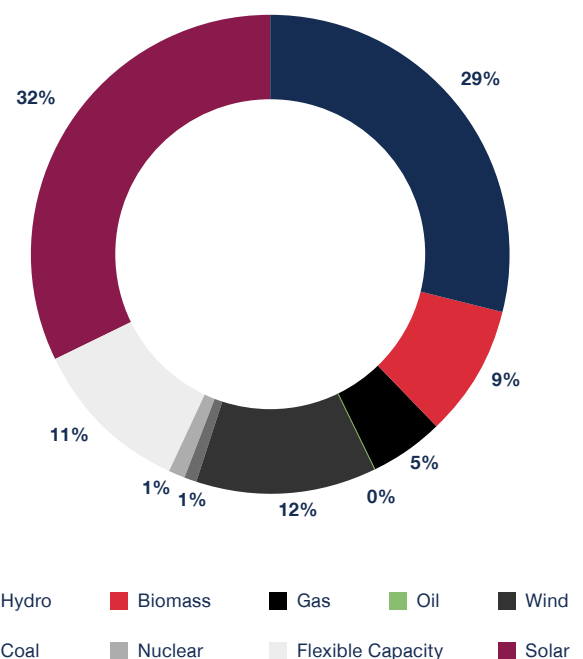


Gold and gemstones

Brazilian Electrical Energy Sources (2015)



Brazilian Electrical Energy Sources (2040)





Digital Transformation and ICT

Brazil will be among the five largest markets in the world for smartphones by 2025, with around 200 million connections. The Government of Brazil has conducted several studies to improve the ICT market and address challenges in Brazil's adoption of its Digital Transformation Strategy. GoB development of national strategies such as the National IoT Strategy, the National Defense Strategy, the National Cybersecurity Strategy, the Digital Governance Strategy, and the National Artificial Intelligence Strategy are designed to embrace the full potential of digital technologies to improve Brazilian productivity and competitiveness.



Cybersecurity

In early 2020, the Institutional Security Cabinet (GSI) instituted E-Ciber, Brazil's National Cybersecurity Strategy, which provides guidance on cybersecurity, cyber defense, critical infrastructure, confidential information, and protection against data breach. E-Ciber utilizes the U.S. National Institute of Standards and Technology (NIST) Cybersecurity Framework for Critical Infrastructure, among others, to provide a consistent and evolving approach to identifying and assessing cybersecurity vulnerabilities and managing risks. GSI has also issued Normative Instruction #4 which provides minimum Cybersecurity requirements that must be adopted in the establishment of 5G networks. There is significant demand for cybersecurity solutions within all industries, which represents an opportunity for foreign companies.

Leading Sub-Sectors



Artificial Intelligence (AI)

The Government of Brazil is reviewing its National Artificial Intelligence Strategy at the federal level, and several bills governing AI have been introduced in Congress. In the AI Readiness Index, developed by Oxford Insights and the International Development Research Center, Brazil ranks 40th out of 194 countries. With the adoption of AI technology Brazil could quadruple productivity growth and increase GDP by up to 7.1% per year.



Public Cloud

The public cloud segment in Brazil is expected to grow by 35% annually and reach US\$ 6.5 billion by 2022. Portaria No. 9 regulates cloud computing for the federal government. According to the Ministry of Economy, federal procurement of cloud services in 2020 have an estimated value of US\$ 61 million, comprised of US\$ 21.5 million in renewals of existing contracts and US\$ 40 million in new contracts.

*Source:International Trade Administration



Tourism

3.1% of Brazil's GDP comes from tourism. If indirect effects are to be taken into account, tourism's share will increase to 9.6%. 2.1 million jobs were provided by the tourism sector in 2018 (2.5% of total employment).

International tourist arrivals reached 6.6 million in 2018, as there was a marginal increase of 0.5% from the previous year, spending around BRL 21.2. Arrivals from Argentina accounted for 37.7% (2.5 million tourists), followed by the United States (8.1%), Chile (5.9%), Paraguay (5.4%) and Uruguay (5.3%). Forecasts indicate that there will be a consistent growth of over 2% per year until 2023.

The domestic market has a high potential for growth as trips reached over 206 million in 2015. The majority of Brazilian citizens prefer domestic travel for their vacations, including carnival and summer breaks. The Northeast is considered the most popular destination, followed by the Southeast and South regions.

*Source: Brazil | OECD Tourism Trends and Policies 2020 | OECD iLibrary



Oil & Gas

According to the 2011 World Oil Outlook published by OPEC (Organization of Petroleum Exporting Countries), Brazil is poised to become one of the largest suppliers of conventional oil in developing regions, ahead of present-day OPEC countries.

Brazilian oil and gas production has shown stable growth since it began more than sixty years ago, and recent discoveries of new oil sources promise to drive exponential growth in future production.

Estimates of pre-salt layer deposits range from 50 to 80 billion barrels of high-quality oil, according to the ANP (Brazilian Oil Agency) and market analysts from around the world. 15.8 billion barrels of recoverable oil have been found in the Lula and Sapinhoá pre-salt fields alone. According to Petrobras, Brazil's national oil and gas company, the pre-salt layer currently produces 400,000 BOE/day, or approximately 18% of the total Brazilian production.

The oil and gas (O&G) sector is a priority for the Brazilian government. The growing production, the recent discovery of attractive deposits and the possibility of unconventional oil production have resulted in changes to regulations encouraging direct investments in this market, as well as increased R&D and foreign participation in the production and supply chain.

*Source: Portal Apex-Brasil | Strategic Priority Sectors (apexbrasil.com.br)



Healthcare and Life Sciences

The Brazilian healthcare sector is not only enormous, it is also growing at an accelerated pace. Brazil has overcome a number of recent crises and its rapidly expanding middle class is demanding healthcare technology, services and attention. The current medical equipment market is highly developed to meet current demand, with 90% of a hospital's technology and equipment needs being easily supplied domestically. A supply surplus has resulted in more than US\$ 700 million in exports per year. Thus, the future growth of the Life Sciences sector will be driven by disruptive innovations and technology transfers that are currently not taking place in Brazil.



Brazil is a perfect location for multinationals that wish to diversify their Life Sciences activities in a large developing market where the healthcare sector is increasingly attractive for medical equipment. In Brazil's favor are the enormous size of its potential market, increasing expenditures in the healthcare sector, and an increasingly aging population:

- 33% of the 201 million Brazilian population are still younger than 20; however, life expectancy reached 74.6 years in 2012. Today, 20 million people older than 60 live in Brazil, similar to what is seen in developed markets like France and Germany.
- The healthcare sector accounts for 9% of the GDP and, according to the Brazilian Association for the Medical, Dental, Hospital and Laboratory Equipment Industry (ABIMO), Brazil spent over US\$ 9.1 billion in medical equipment in 2011, which is 50% more than in 2009.
- Brazil has a solid and well-established public health program, which is responsible for 50% of healthcare sector expenditures in the country. Part of the procedures performed in this system are contracted by the private sector.

Approximately 94% of Brazilian medical products and equipment are manufactured in the Brazilian South and Southeast regions, which are also the country's main manufacturing centers; new arrivals will benefit from existing supply chains. Furthermore, several industrial clusters have developed around important public and private universities and research and development centers, such as CIETEC (São Paulo), BioRio (Rio de Janeiro), BioMinas (Minas Gerais) and FIPASE (Ribeirão Preto, SP). Developed laboratories, business incubators, high-tech production units and ties with universities combine to create an attractive ecosystem for medical equipment investments in the South and Southeast.

However, state-owned laboratories, which can encourage foreign companies interested in entering the Brazilian market, can likewise be found in other regions around the country. A strong dedication to furthering R&D in Life Sciences is indicative of potential for innovation and an enormous long-term investment opportunity in Brazil.



Fintech

Brazil is the largest fintech market in Latin America, and the fifth in the world, with about 700 start-up companies. Investment in Brazilian fintech companies totalled about US\$52 million in 2015, as compared to US\$ 1.6 billion in 2019.

Though the overall Brazilian financial sector is strongly regulated, regulation in the fintech subsector is still being defined:

The Brazilian Central Bank (BCB) issued, in April 2018, Resolution 4,656/18, which allows fintech companies to grant credit without the intermediation of a bank. The regulation also allows credit fintech companies to be controlled by investment funds.

Also, in April 2019, the BCB released, through Communiqué 33,455, the main guidelines that will guide the regulation of Open Banking in Brazil.

The Brazilian Open Banking model is currently being discussed, with the support of entities such as the Brazilian Association of FinTechs (ABFintechs) and is expected to be put into practice in phases, starting in the second half of 2020.

With the client's authorization, banks will be able to share their information with fintech companies and financial services start-ups, for example. This will allow cooperation between the Banking system and fintechs, leading to a better offer of financial services and products. The efforts adopted by the BCB towards the adoption of open banking will increase market opportunities for e-banking, e-commerce, and attract millions of new users for the financial system. Currently, from a population of 210 million inhabitants, Brazil has almost 60 million people who are unbanked.



Business opportunities for local fintech companies to collaborate with Brazilian counterparts in areas such as:



Payment and Remittances



Enterprises Financial Management



Lending



Digital Banks



E-commerce



Open Banking



Personal Financial Management



Crowdfunding and Wealth Management



Insurance (“Insurtech”)



Alternative scoring firms



Virtual currency and blockchains



Trading and Capital Markets



Technologies for financial institutions



Franchising opportunities between Brazil and Bahrain

Brazil is the fifth-largest market in the world in terms of number of franchise chains.

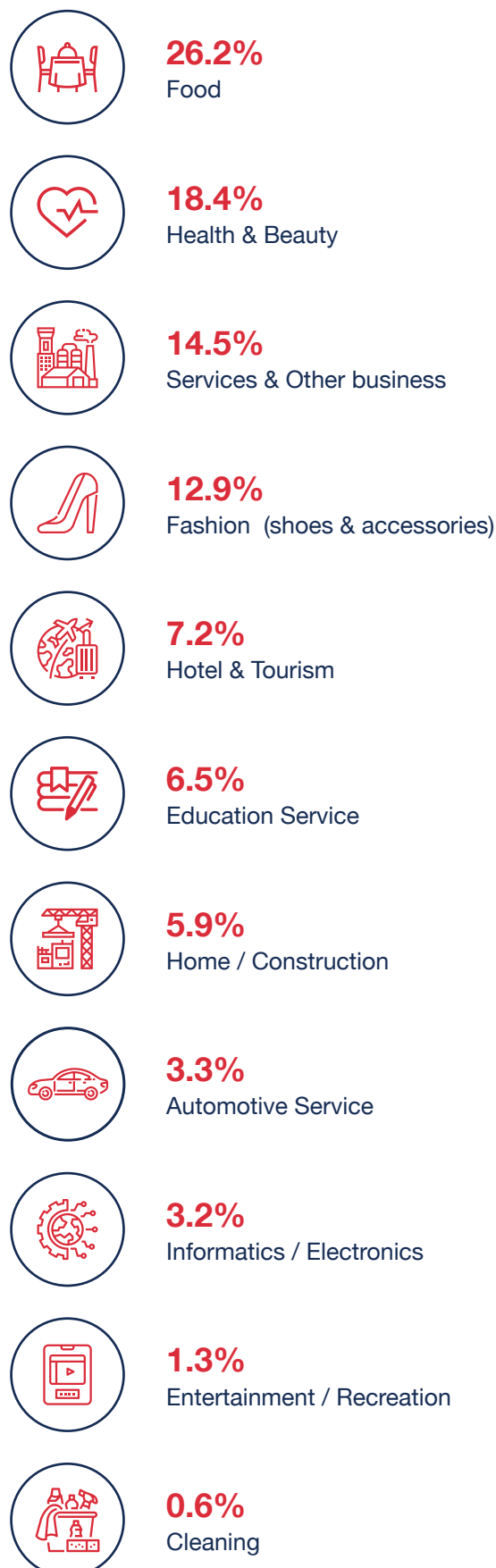
The Brazilian franchise sector is among the world's largest and most sophisticated markets, in terms of business practices and in adapting concepts from both foreign and domestic franchisors.

The sector has consistently grown faster than Brazil's economy overall - especially during the recent period of recession and stagnation - to become one of the economy's main growth engines. In addition, even traditional retail companies are adding franchising to their channel expansion strategy. International Franchisors encounter strong competition in this robust market from Brazilian franchisors offering a variety of product and service solutions, more so than what they might encounter in other Latin American markets. Brazil has specific legislation that covers franchising.

In 2019, the Brazilian franchise sector grew by 6.8%, and total sector revenue was about US\$ 46.3 billion. There are 2,918 franchising chains (an increase of 1.4% compared to 2018) and 160,958 franchising units in the country (a growth of 4.7% compared to 2018), making Brazil the sixth largest in the world in number of units and the fifth largest in number of franchise chains.

The franchise sector currently accounts for about 1.35 million jobs, a growth of 4.6% over the last year.

The franchise sector's revenue in Brazil is composed of:



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November 2021



In terms of growth rankings, the top 11 best-performing franchise sectors in Brazil in 2019 were (ranked by % of growth):



Brazil has 5,570 cities, and there are franchise operations in 2,671 cities countrywide or 48% of Brazilian cities.

The presence of franchise units is distributed throughout Brazil as follows, grouped by states geographically:



*Source: International Trade Administration



Promising sectors for cooperation between Brazil and Bahrain:



Healthcare & Life Sciences



Oil & Gas



Renewable Energy & Environmental Solutions



Automotive Industry



Agribusiness

Conclusion

Despite the contraction in 2020 due to the COVID-19 pandemic, trade between Brazil and Bahrain witnessed a rapid growth with Brazil becoming Bahrain's top import market in 2021. Brazil intends to open an embassy in Bahrain to increase bilateral cooperation in all fields, according to the Brazilian Prime Minister Jair Bolsonaro. The Kingdom of Bahrain is also looking to enhance trade and investment relations with the aim of diversifying the national economy, and focusing on smart production, entrepreneurship, and energy.

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