

TRADE IN FOCUS



BAHRAIN AND CHINA

Bilateral Trade Activity

October 2022



Introduction

China is the second largest economy worldwide, and is one of Bahrain's top trade partners. 2022 marks 33 years of diplomatic relations between the People's Republic of China and the Kingdom of Bahrain, established in 1989. Chinese President Xi Jinping implemented the new Silk Road strategy in 2013 with the objective of connecting China to the global market through various land and maritime trade routes. In July 2018, Bahrain and China signed a Memorandum of Understanding (MoU) to develop the Belt and Road project jointly, with the aim of furthering economic cooperation and bilateral ties. Bahrain's strategic location makes it exceedingly valuable within the Belt and Road initiative, and relations between Bahrain and China have been enhanced due to the countries' shared economic goals. The two nations have previously signed major agreements in education, health, culture and investment. During recent high-level visits, China and Bahrain also discussed cooperation in areas such as 5G telecommunications, e-commerce, digital economy and big data, infrastructure projects, renewable energy, and aerospace.

The volume of trade between Bahrain and China exceeded \$2.2 billion in 2021, a 15% increase compared to the previous year. Furthermore, China was Bahrain's top import partner from 2017 to 2020, and Bahraini exports to China increased by 159% in 2021 compared to 2020. Bahrain has attracted foreign direct investment from several large Chinese companies over the years, including Huawei Technologies, CPIC Abahsain Fiberglass, and China Machinery Engineering Corporation. There is a strong potential for further investment and collaboration between China and Bahrain. The Chinese economy is highly diversified, with a large share attributed to the manufacturing and agriculture sectors. There are promising opportunities for Bahrain to collaborate with China in these sectors, in addition to aviation, healthcare, automotive, energy, cosmetics and toiletries, and design and construction. Moreover, Bahrain has an established financial sector with opportunities in fintech, as well as a strong infrastructure and regulatory system that is attractive to foreign investors.

Source: MOFA Bahrain, MOFA China, China-Bahrain Relations in the Age of the Belt and Road Initiative, Information and e-Government Authority



Economic Comparison between China and the Kingdom of Bahrain

	China	Bahrain
General Information		
Population	1.4 billion	1.7 million
Area	9.425 square km	778.3 square km
Currency exchange Rate (USD)	6.87 CNY	0.376 BHD
GDP and prices	(Annual change ratio / USD)	
Real GDP growth	4.4%	3.3%
GDP per capita (US\$)	\$14,096	\$29,103
Government	(Contribution as a proportion of GDP) 2020	
Expenses	34.5%	33.9%
Public Debt	66.8%	132.9%
Trade	(US\$1 billion)	
Major Export partners	United States, Hong Kong, Japan	Saudi Arabia, UAE, USA
Major Import partners	United States, Japan, South Korea	China, Brazil, USA
Other economic indicators	(USD/1 billion)	
Inflation (August 2022)	2.5%	4%
FDI (US\$1 billion)	\$149.3	\$1.0
International rankings		
S&P Credit Rating	A+	B+
Economic Freedom Index	158 th	74 th
Human Development Index	85th	42nd

Source: World bank, Heritage.org, S&P Ratings, IMF, Human Development Reports, Trading Economics



Bahrain Economy

With particular strengths in the financial services, technology innovation, manufacturing and logistics sectors, Bahrain's economy is the most diversified in the GCC region. Bahrain's economy is also one of the most open economies in the Middle East and North Africa (MENA) region. The Kingdom is well positioned to provide traders and investors access to regional and international markets due to the free trade agreements in place, excellent infrastructure, and strong financial institutions.

Bahrain's Economic Vision 2030, which is based on the principles of sustainability, competitiveness and fairness, aims to improve living standards, enhance the economy's competitiveness and create job opportunities for citizens. Consequently, Bahrain views foreign direct investment as key to its long-term plan and is committed to build the Middle East's most attractive center for business through enhancing the country's existing advantages.

The esteemed Government recently announced a national economic growth and fiscal balance plan, which includes several initiatives aimed at developing the economy and creating quality opportunities for citizens. It is based on 5 pillars as follows:

- Create promising job opportunities and make the Bahraini citizen the first choice in the labor market. The program aims to create 20,000 Bahraini jobs and train 10,000 Bahrainis annually until 2024.
- Facilitate business procedures and increase their efficiency to attract investments worth more than \$2.5 billion by 2023.
- Launch strategic projects worth more than \$30 billion.
- Develop promising sectors and grow the non-oil sector by 5% in 2022.
- Enhance financial sustainability and economic stability by achieving fiscal balance by 2024.

Bahrain's financial sector is among the strongest in the world. In the Islamic Finance Development Report 2021, Bahrain ranked in the 4th position out of 135 countries. In addition, the Kingdom has been ranked the least risky country in the Arab region for the second year in a row in the Basel AML Index 2021.

Source: International Trade Administration, Ministry of Finance and National Economy, Ministry of Foreign Affairs, Bahrain EDB

Bahrain GDP

Bahrain's economy is expected to grow by 3.29% in 2022 and 2.98% in 2023, according to the IMF's forecasts

Main Indicators	2019	2020	2021f	2022f	2023f
GDP (Current prices, billions USD)	38.653	34.723	38.869	44.169	45.421
GDP (Constant prices, Annual % Change)	2.17	-4.94	2.23	3.29	2.98
GDP (per Capita Current Prices, USD)	26,051	23,586	26,136	29,103	29,327

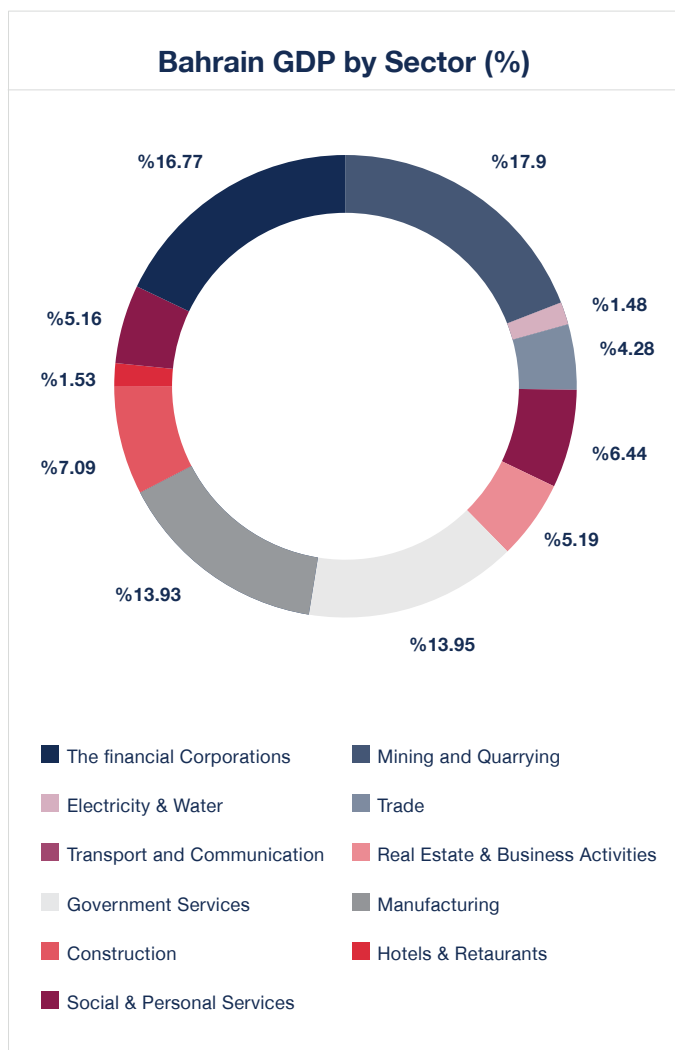
Note: f = forecasted data

Source: IMF – World Economic Outlook Database, April 2022



Bahrain GDP by Sector

The Mining and Quarrying sector is the largest contributor to GDP in Q2 2022 at 17.90%, followed by the Financial Corporations sector at 16.77% and the Government Services and Manufacturing sectors at 13.95% and 13.93%, respectively.



Source: Information and e-Government Authority

Bahrain FDI

Statistics published by Bahrain's Ministry of Finance and National Economy in Q1 2022 indicate that the Finance and Insurance sector acquired the highest share of FDI stocks, followed by the Manufacturing sector. Inward FDI stocks in the Financial and Insurance sector amounted to about BHD 8.38 billion, constituting 66.6% of total inward FDI stocks

as of Q4 2021. In addition, 14.8% of the total inflow value was injected into the Manufacturing sector, amounting to BHD 1.86 billion.

Sectors	Inward Foreign Direct Investments Stocks in Q4 2021 (Million BHD)	Share of Sectors (%)
Finance and Insurance	8,384.4	66.6%
Manufacturing	1,857.9	14.8%
Wholesale and Retail trade	596.2	4.7%
Information and Communication	449.8	3.6%
Others	1,296.9	10.3%
Total	12,585.1	

Source: Ministry of Finance and National Economy

Foreign Investment Advantages in Bahrain

- 100% foreign ownership in several economic activities, without the need for a local partner.
- No tax imposed on corporate or personal income.
- Access to the Gulf markets, which are worth nearly \$2 trillion and include 54 million consumers.
- Talented workforce with exceptional skills and a very high level of professionalism.
- Operation costs are around 30% lower than other GCC markets.
- Among the top ten attractive destinations for expatriate workers in the world.
- Cosmopolitan with a high quality of life.

Source: Information and e-Government Authority



China Economy

Due to rapid growth over the past few decades, China's economy has become the second largest worldwide and it is a key producer and manufacturer of industrial goods. Moreover, China is the world's largest exporter and has the largest exchange reserves in the world. Due to the covid-19 pandemic, China's economic growth slowed down from 6% in 2019 to 2.2% in 2020. In 2021, however, China's economy bounced back with 8% GDP growth and is expected to stabilize at 4.4% in 2022.

China's economy is highly diversified, and led by the manufacturing and agricultural sectors. China is one of the largest producers and consumers of agricultural products, as it is the world's most populated country. Although only 15% of the Chinese soil is arable, the agricultural sector contributes to 7.7% of the country's GDP and 24.7% of the active population in 2021, according to the World Bank. More than 90% of China's food production can be attributed to the production of the three major crops: rice, maize, and wheat.

Due to low labor costs, China has become one of the most preferred destinations for the outsourcing of global manufacturing units. The industry sector

accounts for 37.8% of China's GDP and employs 27% of the Chinese workforce. Furthermore, China is the world's top cement, steel, and chemical fertilizers manufacturer. The service sector's share has been growing, accounting for 54.5% of the country's GDP and employing 47% of the workforce. Even though the development of the service sector has been constrained by China's focus on manufactured exports and the investment barriers in the sector, the Chinese government has been focusing more on the services sectors lately, particularly in sub-sectors such as finance, logistics, education, healthcare. Additionally, China is aiming to be among the world's top exporters for transport, tourism and construction.

Sectors such as e-commerce and online financial services are featuring more strongly in China's economy. According to Fitch Ratings, Chinese industrial corporates increasingly use digital means to improve efficiency, capitalizing on the country's fast-developing digital infrastructure and supportive policies. China is focusing on expanding its core digital economy and technology firms dominate the market, with over 40,000 active tech companies. The biggest tech firms are Baidu, Alibaba, Tencent, and Xiaomi.

Sources: Santander Trade, The World Bank, IMF, Fitch Ratings

China GDP

China's economy is expected to grow by 4.37% in 2022 and by 5.07% in 2023, According to the IMF's forecasts

Main Indicators	2019	2020	2021f	2022f	2023f
GDP (Current prices, billions USD)	14,341	14,863	17,458	19,912	21,865
GDP (Constant prices, Annual % Change)	5.95	2.24	8.08	4.37	5.07
GDP per Capita (Current Prices, USD)	10,170	10,525	12,359	14,096	15,486

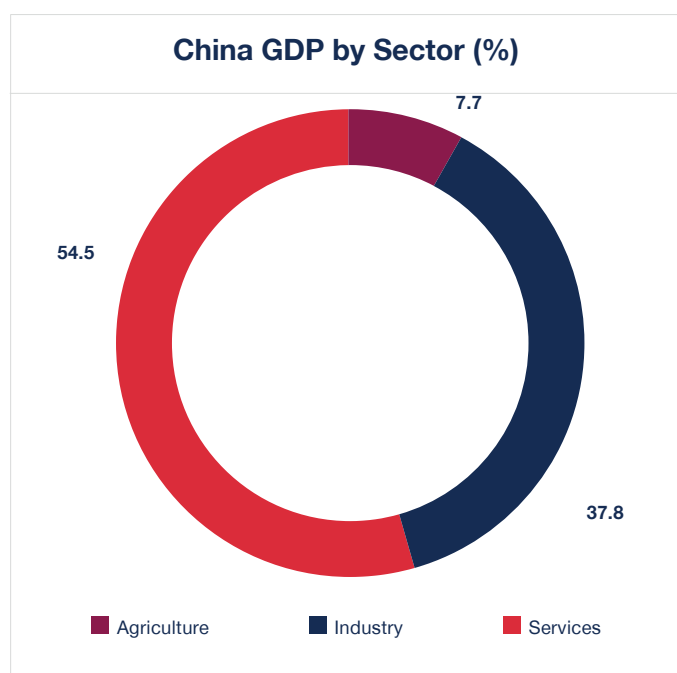
Note: f = forecasted data

Source: IMF – World Economic Outlook Database, April 2022



China GDP by Sector

According to the World Bank, the Services sector constitutes 54.5% of China's GDP, making it the largest sector of the economy. It is followed by the Industry and Agriculture sectors, contributing 37.8% and 7.7% to the GDP, respectively.



Source: Santander Trade (World Bank Data)

China FDI

The main investing countries in China are The Mainland of China at 69.7%, Singapore at 5.5%, and South Korea at 4%. The primary invested sectors are Manufacturing, Real Estate and Leasing and Business Services

FDI Inflows to China by Country

Main Investing Countries	In 2019
The Mainland of China	69.7%
Singapore	5.5%
South Korea	4%
Virgin Islands	3.6%
Japan	2.7%
USA	1.9%
Cayman Islands	1.8%
Germany	1.2%

FDI Inflows to China by Sector

Main Investing Countries	In 2019
Manufacturing	25.5%
Real Estate	17%
Leasing and Business Services	16%
Information Transmission, Computer Services and Software	10.6%
Scientific Research, Technical Service and Geologic Prospecting	8%
Wholesale and Retail Trade	6.5%
Financial Intermediation	5.1%
Transport, Storage and Post	3.3%
Production and Supply of Electricity, Gas and Water	2.5%
Construction	0.8%

Source: Santander Trade

Foreign Investment Advantages in China

- The largest internal market in the world, with 1.44 billion potential customers.
- A well-developed production sector (manufacturing sector and heavy industry).
- A favorable geographic location (close to emerging Asian markets, to Japan, maritime frontage).
- Top economy in terms of purchasing power parity (PPP) due to the rapid growth of the economy.
- Labor costs remain comparatively low, although the situation is changing in certain areas.
- Development of a new export network (Silk Road network).
- Market focus on innovation and emerging industries.
- Well-equipped infrastructure.

Source: Santander Trade, ET Money



Bahrain - China Total Trade Performance

Trade between Bahrain and China has grown by 15% from 2020 to 2021.

China is one of Bahrain's top trade partners, and the volume of trade between the two countries has grown by 11% between 2017 and 2021. The trade exchange between the two countries increased from \$1.98 billion in 2017 to \$2.38 billion in 2019, and declined slightly from 2019 to 2020, partially due to covid-19. Trade then rebounded in 2021 with an increase of 15.34% to \$2.19 billion. It is also notable that exports from Bahrain to China increased by 159% on an annual basis, from \$132 million in 2020 to \$341 million in 2021. Imports from China increased slightly as well by 5% from \$1.77 billion in 2020 to \$1.85 billion in 2021.



Bahrain- China Bilateral Trade (USD)

Year	Imports	Exports	Balance of Trade	Volume of Trade	VOT Annual Percentage Change
2017	1,653,773,798	323,039,591	-1,330,734,207	1,976,813,389	-
2018	1,876,796,078	332,453,516	-1,544,342,562	2,209,249,594	11.76%
2019	2,065,478,557	317,157,322	-1,748,321,235	2,382,635,879	7.85%
2020	1,765,689,524	131,825,464	-1,633,864,060	1,897,514,988	-20.36%
2021	1,847,527,055	341,130,280	-1,506,396,775	2,188,657,335	15.34%

China's Trade Partnership Levels with Bahrain

Year	Imports	Exports
2017	1 st	5 th
2018	1 st	6 th
2019	1 st	6 th
2020	1 st	14 th
2021	2 nd	9 th

China was Bahrain's top import partner from 2017 to 2020, only to be surpassed by Brazil in 2021 and become the 2nd top import partner. In terms of countries Bahrain exports to, China has been in the top 10 during 4 of the past 5 years. In 2021, China was the 9th top country that Bahrain exports to.

Source: Information and e-Government Authority Bahrain



Major Products Traded

Bahrain Imports from China

7 of the top 10 imports from China witnessed positive y-o-y growth, while 3 contracted.

In 2021, Bahrain's top imported product was telephones for cellular networks or for other wireless networks, valued at \$197 million. The import value of this product increased by 10% compared to the previous year and accounted for 11% of total imports. The second most prominent imported product was

pitch coke, and it accounted for 5% of total imports and witnessed a 59% growth compared to 2020. The third major import, accounting for 4% of the total annual imports, was portable digital automatic data processing machines and the import value decreased by 13% compared to the previous year.

Top 3 Imported Commodities



Telephones



Pitch coke



Data processing machines

Bahrain Major Imported Commodities from China 2021

Commodity	Value (USD)	% Share	Y-o-Y Growth
Telephones for cellular networks or for other wireless networks	196,569,261	10.64%	10%
Pitch coke	90,517,262	4.90%	59%
Portable digital automatic data processing machines, weighing not more than 10 kg consisting of at least a central processing unit, a keyboard and a display (personal computer)	70,113,287	3.79%	-13%
Other silicon	43,488,688	2.35%	108%
Other electrical apparatus for line telephony or line telegraphy	40,611,274	2.20%	-24%
Other casing, tubing and drill pipe, of a kind used in drilling for oil or gas	39,369,645	2.13%	151%
Petroleum coke not calcined	30,734,362	1.66%	479%
Parts for air conditioners	29,166,473	1.58%	-12%
Air conditioning machines of a capacity 70,000 BTU or less, window or wall types, self-contained	28,271,910	1.53%	17%
Digital processing units other than those of subheading 8471.41 and 8471.49 whether or not containing in the same housing one or two of the following types of unit storage units input units output units	26,816,600	1.45%	105%

Source: Information and e-Government Authority Bahrain



Bahrain Exports to China

5 of Bahrain's top 10 exports to China witnessed positive y-o-y growth.

Bahrain exported \$128 million worth of semi-finished iron and steel to China in 2021, making it the top exported commodity. This product accounted for 38% of total exports in 2021. The second major exported product was unwrought aluminum, not alloyed, accounting for 21% of the total exports and witnessing an annual growth rate of 1,316%. The

third major exported product was agglomerated iron ores and concentrates, constituting 20% of total exports in 2021.

Top 3 Exported Commodities



Semi-finished iron and steel



Unwrought aluminum, not alloyed



Agglomerated iron ores and concentrates

Bahrain Major Exported Commodities to China 2021

Commodity	Value (USD)	% Share	Y-o-Y Growth
Semi-finished iron and steel, under 0.25 percent carbon, rect	127,969,960	38%	N/A
Unwrought aluminum, not alloyed	70,666,711	21%	1,316%
Agglomerated iron ores and concentrates	68,909,676	20%	N/A
(U , i , h) sections partially – worked under 80 mm high	22,438,779	7%	9,348%
Parts for other gas turbines	16,470,630	5%	261%
Unwrought aluminum, alloys	6,270,843	2%	56,895%
Copper waste and scrap	4,996,604	1.5%	2,847%
Refined copper tubes and pipes	3,663,701	1%	N/A
Other vessels for the transport of goods	2,900,625	0.85%	N/A
Rovings of glass fibers	2,345,886	0.69%	-50%

Source: Information and e-Government Authority Bahrain



Potential Opportunities for Trade

The following tables provide an overview of the top 10 commodities with untapped potential for trade between Bahrain and China, according to the International Trade Center'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 GDP and population forecasts, demand elasticities and forward-looking tariffs" (International Trade Center, 2022).

Bahrain Untapped Export Potential to China

Bahrain's top export potential to China is in ferrous products obtained from iron ore, aluminum, and food preparations.

Commodity	Untapped Export Potential (USD million)
Ferrous products obtained from iron ore	17
Aluminum alloys, unwrought	15
Plates, of aluminum alloys, square/rectangular	6.4
Food preparations	3.7
Non-cellular polyethylene terephthalate, in flat shapes	3
Crabs, frozen	2.5
Waste & scrap of aluminum	2.3
Parts & accessories of motor vehicles, nes	2.1
Depilatories & other toilet/cosmetic preparations, nes	2.1
Organic surface-active products & preparations, for retail sale	2

In terms of untapped export potential to China, the first major commodity is ferrous products obtained from iron ore, with an estimated \$17 million gap. This is followed by aluminium alloys, unwrought with an export gap of \$15 million and plates, of aluminum alloys with an export gap

of \$6.4 million. Other potential exports from Bahrain to China include food preparations, non-cellular polyethylene terephthalate, parts & accessories of motor vehicles, and depilatories & other toilet/cosmetic preparations.

Bahrain Untapped Import Potential from China

Bahrain's top import potential from China is in data processing machines, telephone sets, and floating or submersible drilling.

Commodity	Untapped Export Potential (USD million)
Data processing machines	115
Telephone sets & other voice/image transmission apparatus	95
Floating or submersible drilling	47
Liquid dielectric transformers, >=10,000kVA	31
Electric lamps & lighting fittings	22
Appliances for pipes	20
Electric conductors >=1.000V	15
Chandeliers	13
Parts of telephone sets & other transmission apparatus	12
Tricycles	12

Source: International Trade Center, 2022

The top product with untapped import potential from China is data processing machines with an import gap of \$115 million. The second major product is telephone sets & other voice/image transmission apparatus, with an untapped import potential of \$95 million. The third major product with untapped import potential is floating or submersible drilling, with an import gap of \$47 million. Other potential imports from China to Bahrain include liquid dielectric transformers, electric lamps & lighting fittings, and appliances for pipes.



Investment and Collaboration between China and Bahrain

Chinese Investment in Bahrain



Bahrain's total inward foreign direct investment from China in Q1 2022



individual establishment CRs that have Chinese shareholders & partners



CRs in Bahrain that have Chinese nationals in the board of directors

Bahrain's total inward foreign direct investment from China reached \$131 million in Q1 2022. There are 1,183 individual establishment CRs in Bahrain that have Chinese shareholders and partners. Additionally, there are 1,332 CRs in Bahrain that have Chinese nationals in the board of directors. Activities in both categories include trade, food and beverage activities, construction, and marketing.

Prominent Chinese Companies in Bahrain



Huawei is a prominent Chinese company that established its regional headquarters in Bahrain in 2009. Huawei has contributed to hastening the development of Bahrain's 5G ecosystem, and to strengthening Bahrain's position as a pioneer in ICT development. Other major Chinese companies that have set up in Bahrain include Bank of China, China Machinery Engineering Corporation, CPIC Abahsain Fiberglass, and ICOOL.



Dragon City Bahrain is a large-scale commercial project developed by Chinamex, a Chinese real estate developer, and Diyar Al Muharraaq. The \$100 million project has successfully attracted hundreds of Chinese manufacturers and trading companies to set up in Bahrain. Dragon City is the largest wholesale and retail trading center in Bahrain, occupying a land area of 115,000 sqm. It is imbued with Chinese architectural and cultural aspects and offers high-quality Chinese products.

Exports from Bahrain to China



Companies from a range of sectors export from Bahrain to China. Activities include trade, manufacturing, oil and gas, construction, food and beverage activities and more. Prominent companies that export to China include Midal Cables Company, BAPCO, and Sulzer Chemtech Middle East.

Source: Bahrain Chamber Statistics, Information and e-Government Authority, EDB, Chinamex and Diyar Al-Muharraaq, Dragon City



Promising Sectors for Investment in China



Agriculture

China has extensive agricultural resources and is focused on agricultural technology development.

China is a largely agricultural country with extensive agrarian resources, a rich agricultural heritage, a tradition of intensive agriculture, and a significant rural population. Notably, the government has been prioritizing the work of agriculture, rural areas, and farmers in recent years. Chinese businesses are expanding the amount of money they invest in foreign agriculture and food assets. The main goal is to increase profits for Chinese investors, secure the country's food supply, and represent Chinese influence abroad.

With less than 10% of the world's arable land, China produced one-fourth of the grain grown worldwide and fed one-fifth of the world's population, which is a remarkable accomplishment in the global effort to ensure food and nutrition security. China currently leads the world in producing fisheries goods, fruit, vegetables, meat, poultry, and cereals. According to China's Ministry of Agriculture, the country had over 1,300 agricultural, forestry, and fisheries enterprises with registered overseas investments valued at 180 billion yuan (\$26 billion) at the end of 2016 (Farmer's Daily, 2017). The investments included crop and livestock farming, fishing, processing, farm machinery, inputs, seeds, and logistics in over 100 countries. Furthermore, China has an advanced agricultural research system that has resulted in the development of technologies that have been adopted by farmers in China to meet demands for food and agricultural products in the country.

Source: The Food and Agriculture Organization (FAO), China's Ministry of Agriculture



Healthcare

China's health care sector has grown post-pandemic, and there is potential to invest in technologies such as big data and artificial intelligence.

The healthcare sector in China is growing rapidly. Pharmaceutical and medical device sales grew by more than 11% and are projected to grow by an average of 10% annually over the next few years. Additionally, total health spending to GDP exceeded 6% while maintaining a 9% annual growth rate due to the development of drugs, digital medical technology, and advancements in medical transformation. Medical device sales for covid-19 prevention and management have increased due to the pandemic. Companies producing medical equipment like testing kits, medical masks, protective medical gowns, ventilators, and thermometers have expanded their manufacturing and supply for customers worldwide.

Furthermore, product innovation has become crucial to achieving long-term success for device companies after the pandemic, as new medical technologies emerge. The development of digital healthcare has accelerated in China, and the use of emerging technologies, such as big data and artificial intelligence, has become more commercialized. Clinical practice has incorporated wearable devices, precision medicine, and point-of-care diagnostics. These new technologies are crucial for illness prevention, diagnosis, treatment, and prediction.

Source: Deloitte, PwC





Aviation

China has one of the largest aviation markets worldwide, and there is a demand for local aircraft production and maintenance services.

China is the second largest and fastest-growing civil aerospace and aviation service market. Around the world, about 2 billion passengers fly each year for business and leisure travel. With the number of global travelers growing at 3.2% annually, airlines are expected to spend \$2.8 trillion to acquire 28,600 new commercial aircrafts over the next 20 years. About 75% of the global demand for civilian aircraft is for jumbo jets, defined as having more than 150 seats.

The demand for aircraft and Maintenance Repair and Operations (MRO) services is increasing, in alignment with China's rapid development and increased travel among the local population. The Chinese government has strongly encouraged local aircraft production by funding aviation infrastructure, such as 14 national-level airport economic development zones. Leading worldwide companies such as Boeing, Airbus, GE and Safran have entered the Chinese market and ramped up local production and sourcing.

Source: International Trade Administration, International Travel Statistics



Automotive

China is the world's largest automotive market, and provides opportunities in OEMs and NEVs.

China maintains its position as the world's largest vehicle market, with the Chinese government expecting automobile output to reach 35 million vehicles by 2025. China is predicted to remain the world's largest producer and consumer of automobiles, and it will outperform the European and US markets with its projected high growth. Sedan and SUVs are the most popular automotive vehicles in China. Among the 25.8 million automotive cars sold in China in 2019, 40% were sedans and 36% were SUVs, with the remainder consisting of 5% MPVs, 2% crossovers, and 17% commercial vehicles.

Furthermore, China has become a world leader in the electric bus segment. As a result, Chinese companies are more competitive than ever before. BYD (Build Your Dreams), a company that started as a battery manufacturer in 1995, has become a global leader in the electric bus segment due to the progress of the Chinese automotive industry. China's automotive market is largely successful due to the performance of its Original Equipment Manufacturers (OEMs), which are "companies whose goods are used as components in the products of another company, which then sells the finished item to users" (Investopedia). International auto parts or aftersales suppliers can establish their market entry and development strategy by following the country's OEM manufacturing and sales network.

In 2018, China issued a plan to cancel its mandatory policy requiring Chinese shareholding to be higher than international shareholding in all automotive joint ventures set up in the country. Neighborhood Electric Vehicle (NEV) companies are the first type to have the share restriction lifted, while others will also be free of it by 2023. It is also noteworthy that China is the biggest market in the world for NEVs, in terms of both manufacturing and sales.

Source: Ipsos - China Automotive Industry Study, BASF, Santander Trade, International Trade Administration



Energy

China consumes and produces a significant amount of global energy, and there is potential for investment in renewable energy technologies.

China was the world's largest energy consumer and producer in 2020. China's rapid economic development has increased its demand for energy, and the sector has greatly transformed. The Chinese government has introduced several policies to attract foreign investment into the energy sector, including structural reforms, market incentives, and decentralization policies. The local oil and gas industry consists of 3 main segments: onshore and offshore exploration and production, manufacturing and refining operations of refined petroleum products and petrochemicals, and distribution, marketing and sales of refined petroleum products.

In 2021, coal formed 55% of China's total energy consumption, followed by petroleum and other liquids, which accounted for 19%. China has diversified its energy supply with cleaner burning fuels such as hydroelectric sources, natural gas, nuclear power, and non-hydro renewables, but they still account for small shares of the country's energy mix compared to oil and coal. Furthermore, China is focused on integrating more technology innovation into the energy sector. This includes innovation in the production of renewables, fossil fuels, and nuclear, with an emphasis on increased efficiency, cost competitiveness, and reliability.

There are vast opportunities for foreign investment in China's renewable energy sector, particularly for companies with technological and quality advantages. The country is a global leader in renewable energy, and is planning to invest significantly in this sector and build 455 GW of solar and wind energy capacity in the country's desert regions. Innovation in technologies such as solar panels has been relatively slow, and there is a need for advanced technologies in this area. Moreover, China is working on attracting foreign investment in the upstream and downstream sectors.

Source: NS Energy, Energy in China: Development and Prospects, China Briefing



Cosmetics and Toiletries

China's beauty and personal care product market is expanding due to a young and brand-conscious female population.

China has the second-largest beauty and personal care product market in the world, after the United States. The retail value of cosmetics in China rose to \$52.3 billion in 2020 and, according to Euromonitor International, it will account for almost 70% of growth in the regional beauty and personal care market in the Asia-Pacific region until 2025. Fitch Solutions has indicated that the cosmetics and personal care market has expanded by over 150% between 2012 and 2020 and that spending in this market is anticipated to continue growing.

Demand is increasing in the beauty market in China due to several factors, including the steadily growing female population and increasing exposure of locals to international brands and trends. Younger consumers are driving the growth in the local beauty market, and they are highly knowledgeable about skincare and beauty. As a result, product variety, innovation, and specialization has become increasingly important. In 2020, skincare made up 51% of revenue in the cosmetics and toiletries industry, followed by make-up and haircare accounting for 12% each and oral care products accounting for 10%.

The integration of digital innovation is critical to success in this sector, as Chinese consumers are exceedingly tech-savvy. This can include utilizing media platforms in creative ways, and creating private groups to increase interaction between brands and consumers. Furthermore, online retail has become the most popular sales channel because of limited access to retail stores and reduced brand diversity in certain areas in China. It is notable, however, that the Chinese cosmetics industry has strict regulatory requirements and products must undergo an approval process to be sold through traditional channels.

Source: International Trade Administration, Statista, Reach Further





Design and Construction

China is focused on modernizing, digitalizing and improving the quality and safety of the design and construction sector.

China has the largest construction market globally, and it is expected to grow at an annual average of 8.6% between 2022 and 2030, according to the Fitch Solutions Infrastructure report. The Chinese government recently released a five-year development plan for the local construction industry with the objective of modernizing its supply chain, increasing digitalization and safety, as well as reducing carbon. Consequently, China has expanded opportunities in low-carbon construction. China has also emphasized the application of various technologies in the sector, such as the internet of things, machine-to-machine communication, and big data.

China is in the lead globally in terms of its urbanization rate, and its architectural design and engineering industry revenue exceeded \$1 trillion in 2019. The government intends to improve the quality of China's urban living conditions through greener and more efficient cities. Super high buildings are now restricted, and certain technologies are used to increase the quality and safety of buildings. This includes Building Information Modeling (BIM) and artificial intelligence. The demand for engineering services has grown and market opportunities for investment include lighting and HVAC products, testing services for efficiency and quality, engineering and consulting services for historic districts, as well as the effective reuse of old buildings.

Source: International Trade Administration, Global Construction Review



Conclusion

China has consistently ranked as one of Bahrain's top trade partners over the past 5 years, and the volume of trade between the two countries grew by 11% from 2017 to 2021. Furthermore, China was Bahrain's top import partner from 2017 to 2020, before becoming the 2nd top import partner in 2021.

This is a testament to the strength of the economic ties between the two countries. The diplomatic and economic relations between China and Bahrain have been strengthened through several MoUs and high-level visits, but there is potential for further investment and collaboration in key promising sectors.

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