

TRADE IN FOCUS



BAHRAIN AND THE UK BILATERAL TRADE ACTIVITY

December 2022



Introduction

2022 marks the 206th anniversary of relations between the Kingdom of Bahrain and the United Kingdom, and this indicates the strength of their long-standing ties. The Kingdom of Bahrain gained independence from the United Kingdom in 1971, but has maintained solid diplomatic, military, and trade relations. The two kingdoms have signed multiple agreements to develop their relations across various sectors, particularly investment and trade. Notable agreements include the MoU on Economic and Technical Cooperation between the Kingdom of Bahrain and the United Kingdom and the cooperation agreement between the Bahrain Stock Exchange and the London Stock Exchange in 2007. Additionally, Free Trade Agreement (FTA) negotiations are currently ongoing between the UK and the GCC, and this will further bolster trade and investment between the two sides. Furthermore, Bahrain has been the regional home for many British companies, and this is due to its business-friendly nature. There are currently 569 active British memberships in Bahrain Chamber, 732 British shareholders/partners, and 1,366 British individuals who are in various board of directors.

The volume of trade between Bahrain and the UK has grown by 34% between 2017 and 2021, reaching \$538 million. Exports from Bahrain to the United Kingdom also increased by 61% on an annual basis in 2021. Moreover, inward foreign direct investment from the UK in Bahrain amounted to \$222.74 million in Q2 2022. There is a strong potential for further investment and collaboration between Bahrain and the UK. The UK's economy is highly advanced and diversified, and the main sectors that contribute to the GDP are services, tourism, construction, and manufacturing. There are promising investment opportunities in multiple industries in the UK, including technology, cyber security, financial services, healthcare and life sciences, food and drink, and transition fuels. It is also notable that 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: Investopedia, Ministry of Foreign Affairs Bahrain, Bahrain Chamber Statistics, Information and e-Government Authority



GCC – UK Free Trade Agreement Negotiations

Overview

The GCC countries are currently negotiating the signing of a Free Trade Agreement (FTA) with the UK to enhance bilateral economic relations between the two sides. The UK's trade relationship with the six GCC states amounts to more than £33 billion annually and the group is one of the UK's top 10 export markets outside of the EU. The UK government predicts that this FTA could add £1.6 billion annually to the UK economy in the long run. The first round of FTA negotiations took place between 22 August and 29 September 2022, and they were held virtually. The UK and GCC discussed their aims for the FTA and technical discussions were held across 29 policy areas over 33 sessions.

FTA Advantages between UK and GCC

Some advantages of the FTA include making exports cheaper for both sides, while improving choice and competition locally. An import duty is applied to a wide range of UK goods entering the GCC and rates are generally low. Tariffs on food and drink items in GCC countries, however, can be higher. GCC states are highly dependent on imported foods and constitute a significant export destination for UK producers. The possibility of removing import duties on food and drink items through the FTA may further expand the sector.

Furthermore, an FTA can enhance UK exports in manufacturing, particularly in the automotive and machinery sectors. There is also potential for the UK green energy sector to increase its presence in GCC states as they transition from oil towards renewable sources. Moreover, the GCC is focused on economic diversification, and the FTA may lead to growth in developing economic sectors such as manufacturing and the digital economy.

Other benefits of the FTA include streamlining various trading regulations, though simple rules of origin, straightforward and transparent customs procedures and possibly the removal of discrepancies in rates

of duties for the same product across the GCC. Additionally, an FTA can contribute to simplifying product standards and making them more transparent, with closer cooperation between regulators in each country. Ultimately, an FTA forms a vital economic opportunity for the UK and the GCC and is a significant moment in the relationship between the two sides.

FTA Advantages between UK and Bahrain

The GCC-UK FTA is expected to help Bahrain in diversifying its energy sector and reducing its reliance on hydrocarbons. Bahrain has outlined the oil and gas sector as a priority sector within its Economic Recovery Plan. At the same time, Bahrain is focused on expanding renewable energies. The FTA could allow Bahrain to make progress on its goal to shift towards renewable energy, as the UK has an advanced renewable energies sector.

Free trade talks are also anticipated to bolster food security and yield progress on agricultural imports. If the GCC import duty on food and drinks is removed, this could increase food exports from the UK to Bahrain. Global supply chains have been disrupted because of the covid-19 pandemic and the Russia-Ukraine war. As such, food security has become a more pertinent issue in the GCC.

Furthermore, an FTA with the UK could improve Bahrain's trade position through the diversification of its trade partners. Signing more free trade agreements with strong trade partners makes Bahrain more attractive for foreign investment. It is also notable that ongoing FTA talks are a result of the increase in cooperation between the UK and the GCC. Signing an agreement will ultimately strengthen bilateral ties between the UK and Bahrain, and unlock significant opportunities for their business communities.

Source: Deloitte, UK Government, Oxford Business Group



Economic Comparison between Bahrain and the UK

	United Kingdom	Bahrain
General Information		
Population	67.3 million	1.7 million
Area (square km)	241,930	786.5
Currency exchange Rate (USD)	0.85 GBP	0.38 BHD
GDP and Prices (Annual change ratio / USD)		
Real GDP Growth (2021)	7.44%	2.23%
GDP Per Capita (2021)	\$47,329	\$26,136
Government (Percentage of GDP) 2020		
Government Expenditure (2021)	44.9%	32.2%
Government Gross Debt (2021)	95.3%	128.5%
Trade		
Major Export Partners	USA, Germany, Netherlands (2020)	KSA, UAE, USA (2021)
Major Import Partners	USA, Germany, Netherlands (2020)	Brazil, China, UAE (2021)
Other Economic Indicators		
Inflation (2022)	9.1%	3.8%
FDI (2021)	\$27.6 billion	\$1.8 billion
International Rankings		
S&P Credit Rating (2022)	AA	B+/B
Economic Freedom Index (2022)	24th	74th
Human Development Index (2021)	18th	35th

Source: World Bank, Heritage, S&P Ratings, IMF, UNDP Human Development Reports, Information and e-Government Authority, UNCTAD, Office for National Statistics



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.

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 2.98% in 2023, according to the IMF's forecasts.

Main Indicators	2019	2020	2021f	2022f	2023f
GDP (Current prices, billions USD)	39	35	39	44	45
GDP (Constant prices, Annual % Change)	2.17	-4.94	2.23	3.37	2.98
GDP per Capita (Current prices, USD)	26,051	23,586	26,136	28,692	29,076

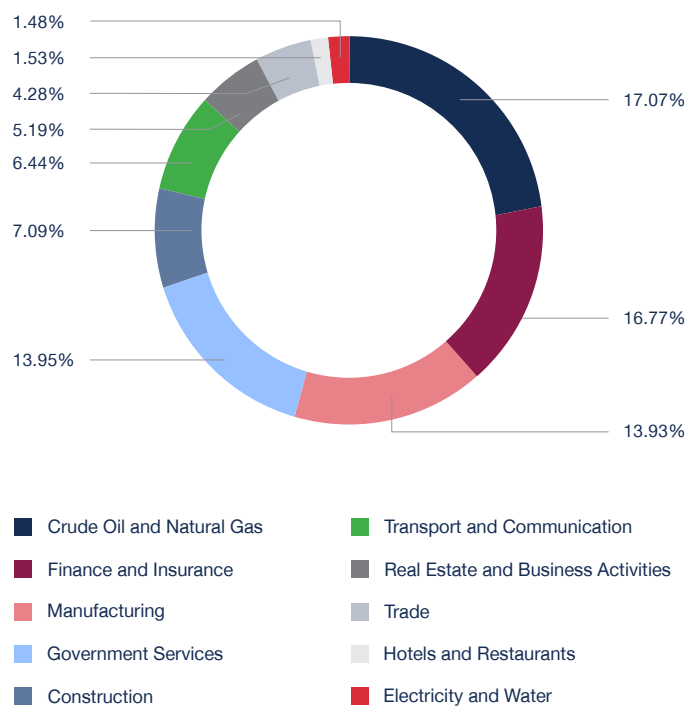
Note: f = forecasted data

Source: IMF – World Economic Outlook Database, October 2022



Bahrain Real GDP by Sector

The Crude Oil and Natural Gas Sector is the highest contributor to GDP in Q2 2022 at 17.07%, followed by Finance and Insurance Sector at 16.77% and Manufacturing at 13.93%.



Source: Information and e-Government Authority Bahrain

Bahrain FDI

The Finance and Insurance sector acquired the highest share of FDI stocks in Q2 2022, amounting to \$22.20 billion and constituting 65% of total inward FDI stocks. Inward FDI stocks in the Manufacturing sector amounted to about \$5.33 billion, constituting 16% of total inward FDI stocks. In addition, 5% of the total inflow value was injected into the Wholesale and Retail Trade sector, amounting to \$1.83 billion.

Sector	Inward Foreign Direct Investments Stocks in Q2 2022 (Million USD)	Share of Sectors (%)
Finance and Insurance	22,200.86	65%
Manufacturing	5,330.34	16%
Wholesale and Retail trade	1,833.84	5%
Information and Communication	1,214.42	4%
Others	3,355.97	10%
Total	33,935.43	

Source: Information and e-Government Authority Bahrain

Foreign Investment Advantages in Bahrain



100% foreign ownership in several economic activities, without the need for a local partner.



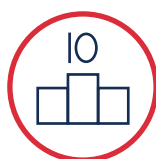
No tax imposed on corporate or personal income.



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.



Bahrain is among the top ten attractive destinations for expatriate workers in the world.



Operation costs are around 30% lower than other GCC markets.

Source: EDB



UK Economy

The United Kingdom has the 5th largest economy worldwide, following the United States, China, Japan and Germany. The UK's nominal GDP amounted to 3.1 trillion USD in 2021, according to the IMF. While Brexit and the covid-19 pandemic have resulted in challenges and uncertainty to the UK economy, it is still a vital market for foreign exports of goods and services and attracts significant foreign direct investment. The UK consists of England, Scotland, Wales, and Northern Ireland, and England is the most highly contributing nation to the UK economy's GDP.

The UK has an advanced and diversified economy, and the main sectors that contribute to the GDP are services, tourism, construction, and manufacturing. According to the UK Parliament, the services sector, which includes retail, hospitality, professional services, business administration and finance, contributed 1.7 trillion GBP in Gross Value Added to the UK economy in 2021. Moreover, tourism is a major feature of the UK economy, and in 2019, visitors spent over 27 billion GBP on travel and tourism in the UK, according to the Office for National Statistics (ONS). London remains the largest financial center in Europe and is home to many multinationals. The banking sector is very dynamic and there are more than 370 monetary financial institutions in the UK.

According to The Manufacturers' Organization, the UK is the 9th largest manufacturing nation in the world with an annual output of 183 billion GBP. The industrial sector has been growing by 1.4% per year since 1948, as highlighted by a recent report by the ONS. This growth is attributed to a more

skilled workforce, a shift in production from low to high productivity goods, increased automation and technology, and a higher investment in R&D. Within the manufacturing sector, the food products division is the largest sub-sector. Furthermore, the UK has developed civil and military aerospace and pharmaceutical industries, in addition to significant mineral resources.

Source: IMF, Investopedia, The Manufacturers' Organization, The ONS, The UK Parliament

UK GDP

The United Kingdom's economy is expected to grow by 0.32% in 2023, according to the IMF's forecasts.

Main Indicators	2019	2020	2021f	2022f	2023f
GDP (Current prices, USD)	2,880	2,759	3,188	3,198	3,479
GDP (Constant prices, Annual % Change)	1.67	-9.27	7.44	3.61	0.32
GDP per Capita (Current prices, USD)	43,121	41,127	47,329	47,318	51,286

Note: f = forecasted data

Source: IMF – World Economic Outlook Database, October 2022



Foreign Investment Advantages in the UK



The UK tends to attract more global talent than other major European countries, and has one of the largest labor forces in Europe, with lower labor costs than Italy, France or Germany.



Investors can access a market of more than 60 million people, diverse suppliers and partners, and benefit from a range of programs to help businesses of all shapes and sizes grow, including a £100 billion infrastructure spending commitment.



The UK has the largest air transport system in Europe. They operate a robust energy grid supported by the world's largest offshore windfarm and benefit from advanced road and rail systems and 100 sea ports.



The UK has one of the lowest corporation tax rates in the G20 and is highly competitive within Europe. It is business-friendly and offers a range of tax reliefs to give flexibility to domestic and international companies.



The UK offers global businesses one of the best and most ambitious ecosystems in the world to grow innovative companies.



The UK is leading the race to a net zero carbon economy, with cutting-edge technology and revolutionary research.

Source: UK Department for International Trade

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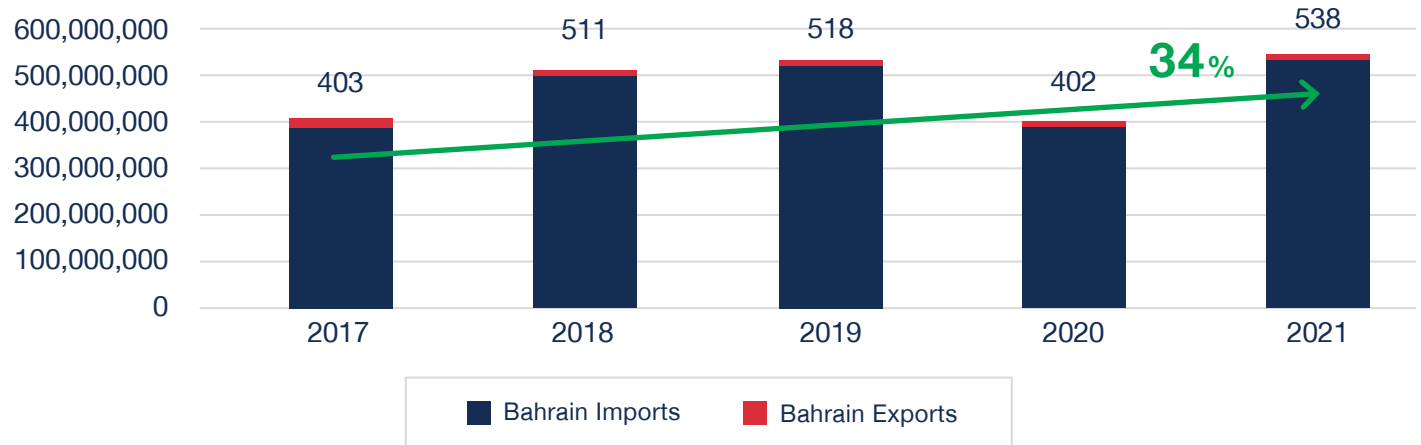
Bahrain- United Kingdom Total Trade Performance

Trade between Bahrain and UK has grown by 34% from 2020 to 2021.

The volume of trade between the Kingdom of Bahrain and the United Kingdom has grown by 34% between 2017 and 2021. The trade exchange between the two countries increased from \$403 million in 2017 to \$518 million in 2019, and declined

slightly from 2019 to 2020. Trade has, however, rebounded in 2021 with an increase of 34% on an annual basis. It is also notable that exports from Bahrain to the United Kingdom increased by 61% on an annual basis, from \$46 million in 2020 to \$74 million in 2021. Imports from the United Kingdom increased by 30% from \$356 million in 2020 to \$464 million in 2021. In 2021, the United Kingdom was Bahrain's 11th top import partner and 28th top export partner.

Bahrain- United Kingdom Bilateral Trade (billion USD)



Year	Imports	Exports	Balance of Trade	Volume of Trade	VOT Annual Percentage Change
2017	373,903,736	28,729,189	-345,174,547	402,632,925	-22%
2018	475,449,641	35,465,225	-439,984,416	510,914,866	27%
2019	491,205,806	26,872,977	-464,332,829	518,078,783	1%
2020	356,207,482	46,259,194	-309,948,288	402,466,676	-22%
2021	463,545,330	74,404,986	-389,140,344	537,950,316	34%

The UK Trade Partnership Levels with Bahrain



Source: Information and e-Government Authority Bahrain



Major Products Traded

Bahrain Imports from the United Kingdom

4 of the top 10 imports from the United Kingdom witnessed y-o-y growth, while 6 contracted.



Parts for aircraft engines



Private cars



Apparatus for electrical control

In 2021, Bahrain's top imported product was parts for aircraft engines, valued at \$208 million. The import value of this product increased by 3625% compared to the previous year and accounted for 45% of total imports. The second most prominent imported product was private cars, current, spark ignition, over 3000 CC, and it accounted for 3% of total imports and witnessed a 27% decline compared to 2020. The third major import, accounting for 3% of the total annual imports, was apparatus for electrical control 1000 V or less and the import value increased by 591% compared to the previous year.

Bahrain Major Imported Commodities from the UK 2021

	Commodity	Value (USD)	Share	Y-o-Y Growth
1	Parts for aircraft engines	208,344,047	45%	3625%
2	Private cars, current spark ignition, over 3000 CC	14,466,496	3%	-27%
3	Apparatus for electrical control 1000 V or less	12,793,861	3%	591%
4	Jeeps, current, spark ignition 1501 to 3000 CC	9,927,543	2%	82%
5	Digital processing units	9,216,068	2%	-24%
6	Whiskies	8,202,555	2%	-31%
7	Parts for other gas turbines	7,132,634	2%	-39%
8	Other medicaments put in forms or packings for retail sale	6,621,793	1%	7%
9	Jeeps, current year, spark ignition, over 3000 CC	6,179,388	1%	-55%
10	Private cars, 1 year old, spark ignition, over 3000 CC	4,280,619	1%	-22%

Source: Information and e-Government Authority Bahrain



Bahrain Exports to the United Kingdom

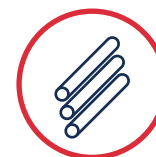
5 of Bahrain's top 10 exports to the United Kingdom witnessed y-o-y growth.



(U, I, H) sections



Parts for aircraft engines



Other aluminum wire and cable,
not insulated

Bahrain exported \$11 million worth of (U, I , H) sections, partially-worked, under 80mm high to the UK in 2021, and this product accounted for 15% of total exports. The second major exported product was parts for aircraft engines, accounting for 14% of the total exports and witnessing an annual growth rate of 53%. The third major exported product was other aluminum wire and cable, not insulated, constituting 14% of total exports in 2021.

Bahrain Major Exported Commodities to the UK 2021

	Commodity	Value (USD)	Share	Y-o-Y Growth
1	(U, I , H) sections, partially-worked, under 80 mm high	10,983,886	15%	N/A
2	Parts for aircraft engines	10,704,676	14%	53%
3	Other aluminum wire and cable, not insulated	10,377,403	14%	N/A
4	Other parts for aeroplanes	5,210,293	7%	23001%
5	Unwrought aluminium alloys	4,405,435	6%	N/A
6	Rail locomotives powered by external electricity	4,225,327	6%	N/A
7	Private cars, 1 year old, spark ignition, over 3000 cc	4,000,862	5%	3417%
8	Suspension shock-absorbers	3,092,484	4%	N/A
9	Aircraft launching gear and parts	2,861,255	4%	71244%
10	Polyethylene terephthalate sheets, film, etc.	2,065,030	3%	1%

Source: Information and e-Government Authority Bahrain

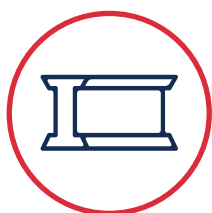


Potential Opportunities for Trade

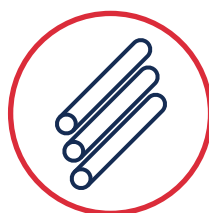
The following tables provide an overview of the top 10 commodities with untapped potential for trade between Bahrain and the UK, according to the International Trade Center's Export Potential Map which collaborates with Export Bahrain. The ICT trade potential tool calculates the potential trade gap as "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 the United Kingdom

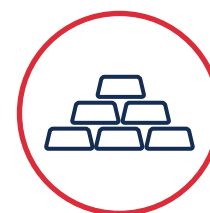
Bahrain's top export potential to the United Kingdom is in agglomerated iron ores and aluminium products.



Agglomerated iron ores and concentrates



Aluminium, not alloyed, unwrought



Plates, of aluminium alloys, square/rectangular

Commodity		Untapped Export Potential (USD)
1	Agglomerated iron ores and concentrates	4.8 mn
2	Aluminium, not alloyed, unwrought	1.7 mn
3	Plates, of aluminium alloys, square/rectangular	1.2 mn
4	Jewelry, of precious metal	1 mn
5	Gold, unwrought, for non-monetary purposes	792 k
6	Urea	576 k
7	Wire, of aluminium, non-alloyed >7mm	487 k
8	Bedlinen of Cotton	439 k
9	Food Preparations	361 k
10	Wooden Furniture	324 k

Source: International Trade Center, 2022



Bahrain Untapped Import Potential from the United Kingdom

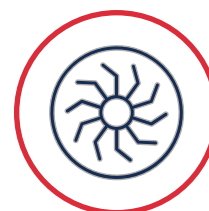
Bahrain's top import potential from the United Kingdom is in motor vehicles, medicaments, and airplane parts.



Motor vehicles



Medicaments consisting of mixed or unmixed products, for retail sale



Airplane/helicopter parts

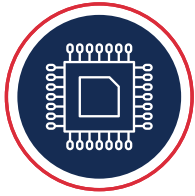
The top product with untapped import potential from the UK is motor vehicles for the transport of persons with an import gap of \$55 million. The second major product is medicaments consisting of mixed or unmixed products, with an untapped import potential of \$16 million. The third major product with untapped import potential is airplane/helicopter parts, with an import gap of \$7.8 million. Other potential imports from the UK to Bahrain include gas turbines, and sheep and lamb carcasses.

	Commodity	Untapped Import Potential (USD)
1	Motor vehicles for the transport of persons	55 mn
2	Medicaments consisting of mixed or unmixed products, for retail sale	16 mn
3	Airplane/helicopter parts	7.8 mn
4	(Prepared) diagnostic/laboratory reagents & certified reference materials	5 mn
5	Sheep carcasses, fresh	4.7 mn
6	Appliances for pipes	4.5 mn
7	Parts of gas turbines	4.5 mn
8	Whiskies	4.5 mn
9	Lamb carcasses, fresh	4.4 mn
10	Human & animal blood, blood fractions & immunological products	4 mn

Source: International Trade Center, 2022



Promising Sectors for Investment in the UK



Technology

The UK technology sector is rapidly accelerating, and has opportunities in artificial intelligence, robotics, fintech, and cybersecurity.

The UK technology sector has expanded greatly over the past decade, and is growing at a faster rate than the UK economy. The UK is renowned as one of the world's prime locations for all kinds of technology, and is catching up with tech hubs such as the US and China. 29.4 billion GBP was raised by UK tech start-ups and scale-ups in 2021, capturing more than a third of the total (89.5 billion GBP) investment into Europe in 2021. The total value of UK tech companies founded since 2000 is 540 billion GBP. Furthermore, the UK has extensive R&D capabilities to boost its technology sector. In September 2021, the UK government announced its National AI Strategy, with an objective to increase investment and boost AI discoveries in the UK. The UK also has many leading universities and research centers that conduct high-quality research on emerging technologies.

The UK is exceedingly attractive to international investors, with 63% of tech investment in 2020 coming from abroad, an increase from 50% in 2016. There are many opportunities in emerging technology fields, including artificial intelligence, robotics and autonomous systems, fintech, and cyber security.

The UK is home to a third of Europe's AI start-up companies, with more than 1,300 AI companies. This is a 600% increase in the number of companies over the past 10 years, with a total revenue of almost 1.47 billion GBP. Moreover, the market for robotics and autonomous systems is expected to amount to 3.5 billion GBP by 2030.

Source: UK Department of International Trade, Institut Montaigne



Cyber Security

The UK is a major cyber power globally and there are opportunities for investment in emerging technologies and innovative products and services.

The UK has been established as a cyber power over the past 10 years, as it has developed cutting-edge cyber security capabilities and achieved growth in the cyber security sector. The UK government published the National Cyber Strategy in December 2021, and it outlines how the UK will continue to be a dominant and democratic cyber power in 2030. The sector's revenue has increased to 10 billion GBP for the first time, a 14% increase compared to the previous year. The UK government provides support for the cyber security sector through several initiatives, such as running a portal for cyber security businesses, creating partnerships between the public and private sector, providing funding schemes, and supporting academic research in cyber security.



There were record external investments in the cyber security sector in 2021, with more than 1 billion GBP being raised by companies across the UK. The UK is focused on helping cyber businesses find international markets, and the UK exported 4.2 billion GBP of cyber services in 2020. 56% of cyber security firms in the UK offer services, while 28% offer products. Investment opportunities can be found in innovative products or services, and in growth areas such as Internet of Things, cloud computing, supply chain security and smart cities.

Source: UK Government



Financial Services

The UK has one of the most prominent financial sectors worldwide, with strengths in fintech, Islamic finance and sustainable finance.

The UK is a leading financial center, with a strong regulatory environment and cutting-edge technology. The UK financial services sector is supported by a strong technology infrastructure with advanced artificial intelligence and cybersecurity capabilities. Moreover, the region has FinTech Bridge agreements with established fintech hubs such as Singapore, South Korea, China, and Australia and this increases the potential for collaboration. In 2021, the financial services sector contributed 173.6 billion GBP to the UK economy, which accounts for 8.3% of total economic output. It is also notable that the UK financial services sector is the 4th largest in the

OECD when considering the size of the its national economic output.

There are many opportunities within the financial sector in the UK, as it is a leader in Islamic finance and fintech. The UK ranks first among non-Muslim majority nations in Islamic finance, and investors can benefit from one of the world's most attractive regulatory and tax environments in this field. Additionally, the UK constitutes 11% of the global fintech industry. The UK is also at the forefront of sustainable finance, and its market for Environment, Social and Governance (ESG) investments has developed greatly.

Source: House of Commons Library, UK Department for International Trade



Healthcare and Life Sciences

The healthcare and life sciences field in the UK is supported by a strong infrastructure and R&D capabilities, and the region is prominent in global scientific exploration.

The UK is prominent globally in the life sciences field, and the sector is supported by government and industry collaboration. There are many advantages to investing in the sector in the UK, including a competitive business and regulatory environment, a world-class biomedical science base, and unique talent. The UK's FDI value in the life science capital expenditure field reached 1.9 billion GBP in 2021, and it ranked second after the US. Furthermore, the UK ranked behind only the US and Japan in terms of its government budget for health research



and development (R&D). All the top 25 global pharmaceutical companies and top 30 global medical technology companies have operations in the UK.

There are opportunities for investment in the Biopharmaceuticals, MedTech, and Precision Medicine fields in the UK. The UK has a strong base for the research, development and manufacturing of biopharmaceutical products, and opportunities exist in many areas including: genomics and precision medicine, cell and gene therapies, medicines and vaccine manufacturing, drug discovery, clinical research, AI and data science, and synthetic biology. Additionally, the UK has one of the largest medical technologies (MedTech) industries in the world with advanced research capabilities. This includes world-class universities which have contributed to cutting-edge innovations. There is potential for investment in developing innovative medical technologies integrated with digital health technologies, and in medical devices, genomics and advanced diagnostics.

Source: UK Government



Food and Drink

The UK has a highly innovative food and drink sector, and is the forefront of many global trends such as sustainability and smart packaging, functional foods, and plant-based and alternative protein sources.

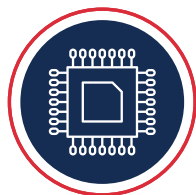
The food and drink industry is the UK's largest

manufacturing sector with a 20% share of the sector, and it contributes more to the economy than the automotive and aerospace industries. According to the Food and Drink Federation, the food and drink industry's turnover is more than 112 billion GBP. The UK has high-quality produce and cutting-edge technology, and consequently provides great opportunities for exporters, investors and international buyers. The industry's total business investment was 4 billion GBP in 2021, a 7.9% increase compared to the previous year. Additionally, the UK's food and drink exports are sold to over 220 export countries are its top export markets are Ireland, France, and the USA.

The food industry in the UK has a strong R&D foundation, and there are multiple research universities. The Food and Drink Federation estimate that digital technology will add 55.8 billion GBP to the industry over the next decade. Furthermore, the UK is a pioneer in high-tech packaging, health foods, and convenient food options. Many large corporations in the global food and drink industry have headquarters in the UK, including Princes Ltd and Cadbury.

Key opportunities in the food and drink industry in the UK include sustainability and smart packaging, particularly as many consumers are trying to reduce their plastic waste and are willing to pay higher prices for more environmentally friendly packaging. There is an increased demand for functional foods, which are modified foods that claim to improve health, as well as plant-based and alternative protein sources, including the development of lab-grown meat. According to Frost and Sullivan, the market revenue for plant protein ingredients is forecasted to reach 16.8 billion GBP by 2026.

Source: The Food and Drink Federation, UK Department for International Trade



Transition Fuels

The UK has a developed oil and gas industry, and there is potential to invest in clean energy and innovative technologies.

The UK is focused on technically challenging methods of extraction and production, and it is a prime location to conduct research and develop new technologies. Furthermore, the oil and gas industry in the UK is home to over 800 oil and gas companies. Various major companies within the global industry have invested in the UK, including Engie, ExxonMobil, and Saudi Aramco. The oil and gas industry received investments that amounted to 3.7 billion GBP in 2020, and expects a further 21 billion GBP between 2021 and 2026.

The UK government is emphasizing clean energy opportunities within the oil and gas industry. The North Sea Transition Deal is an example of this, as it is a partnership that intends to utilize the expertise of the UK offshore oil and gas industry to fulfill the country's climate ambitions of net zero emissions by 2050.

There is potential to invest in various opportunities within this sector, including the extraction of oil and gas and innovations in cleaner methods of production. Businesses within the sector can take advantage of increasing demand and forecasted growth. Additionally, there are opportunities in construction, as the industry can benefit from sector-specific design and solution expertise. There are also opportunities in the delivery of green gases, such as biogas, biomethane and renewable hydrogen.

Source: Offshore Energies UK, UK Department of International Trade

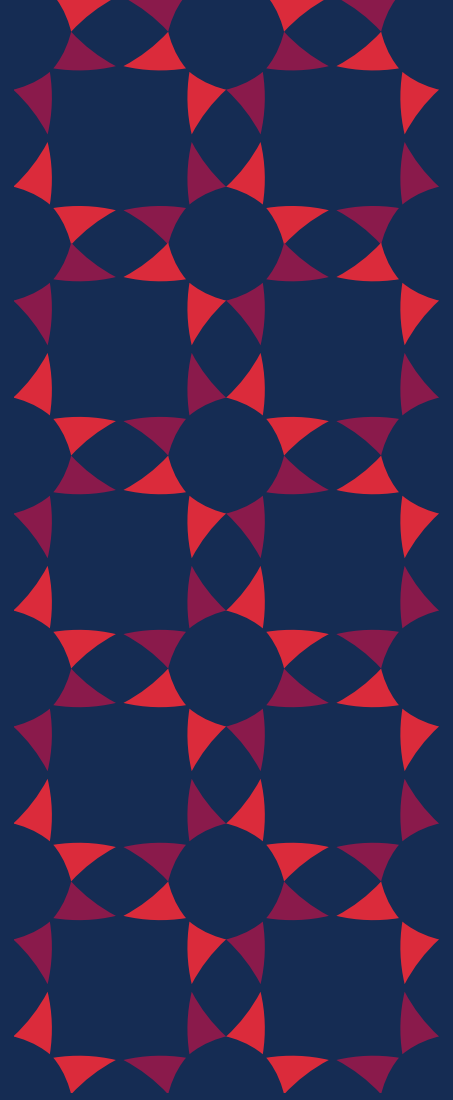
Conclusion

The United Kingdom is one of the Bahrain's most important trade partners, and the special relationship between the two kingdoms extends to over 200 years back. Bahrain and the UK share a distinguished history, as well as a range of mutual interests. Furthermore, the volume of trade between the two sides reached \$538 million in 2021, a 34% increase compared to 2017. The diplomatic and economic relations between Bahrain and the UK 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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غرفة البحرين BAHRAIN CHAMBER

Since its inception in 1939, the Bahrain Chamber of Commerce and Industry (BCCI) played a prominent role in shaping the national economy of Bahrain and creating a vigorous private sector.

It has kept abreast of the fast-paced economic and social developments, and consolidated its efforts to stimulate the growth and expansion of the private sector and empower its role in the economic development of the country alongside the public sector.

The confidence bestowed upon the chamber by the wise leadership reinforced its influence on economic decisions and streamlined its endeavor to create an attractive ecosystem that fosters the flourish of businesses. In addition, the growing base of its members contributed to reinstating its standing as the sole representative of the private sector and an advocate of its interest.