

# TRADE IN FOCUS



## BAHRAIN AND SOUTH KOREA BILATERAL TRADE ACTIVITY

April 2022



## Introduction

2022 marks 46 years of diplomatic relations between the Kingdom of Bahrain and the Republic of Korea. During the early years, the relationship between the two countries was centered around cooperation in the infrastructure, energy and construction fields. Since the reopening of the Republic of Korea Embassy in 2011, however, the two countries have developed their relations in areas such as politics, society and culture. The bilateral relations between Bahrain and South Korea are reinforced by numerous and regular state visits by high-ranking officials from both countries. Since then, the two countries have signed 4 bilateral agreements and 12 memorandums of agreement. Bahrain Chamber has also conducted several Bahrain-Korea business forums to bolster cooperation and encourage joint investment in promising sectors. To further increase trade, the GCC and South Korea officially announced the resumption of free trade negotiations between the two sides in January 2022. The goal is to reach an agreement within six months from the date of the first round of negotiations. The free trade agreement will be comprehensive and will contribute to promoting economic growth in the involved countries.

Trade between Bahrain and South Korea has been continuously growing. The volume of trade between the two countries increased by 135% from 2017 to 2021. Exports from Bahrain to South Korea exceeded imports for the first time over the last 5 years in 2021, and increased by 141% compared to 2020. South Korea is one of Bahrain's most prominent trade partners; in 2021, the country was Bahrain's 6th top export partner and 14th top import partner. South Korea has a highly-developed and technologically advanced \$2 trillion economy, led by sectors such as electronics, telecommunications, automobile production, chemicals, shipbuilding, textile and steel. Promising sectors for cooperation between Bahrain and South Korea include electronics, ICT, automobiles, financial services and healthcare. It is also notable that South Korea is the seventh largest exporter of goods and ninth largest importer of goods worldwide.



## Economic Comparison between Bahrain and South Korea

	South Korea	Bahrain
<b>General Information</b>		
Population	51.8 million	1.7 million
Area	100,032 square km	778.3 square km
Currency exchange Rate (USD)	1,191.50 KRW	0.376 BHD
<b>GDP and Prices</b> (Annual change ratio / USD)		
Real GDP Growth (2020)	-1.0%	-5.4%
GDP Per Capita (US\$)	\$44,621	\$48,766
<b>Government</b> (Contribution as a proportion of GDP) 2020		
Government Spending	22.7%	33.9%
Public Debt	48.7%	132.9%
<b>Trade</b>		
Major Export Partners	China, USA, Vietnam	Saudi Arabia, UAE, USA
Major Import Partners	Japan, USA, Saudi Arabia	China, Brazil, USA
<b>Interest</b>		
Interest rate	1.25%	1%
<b>Other Economic Indicators</b> (USD/1 billion)		
Inflation	0.5%	-2.3%
FDI (US\$1 billion)	\$9.2	\$1.0
<b>International Rankings</b>		
S&P Credit Rating 2021	AA	B+
Economic Freedom Index 2022	19th	74th
Human Development Index 2020	23rd	42nd

Sources: World bank, Heritage.org, S&P Ratings



## 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 building on 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

According to the IMF's predictions in the October World Economic Outlook report, Bahrain's economy is expected to grow by 3.1% in 2022.

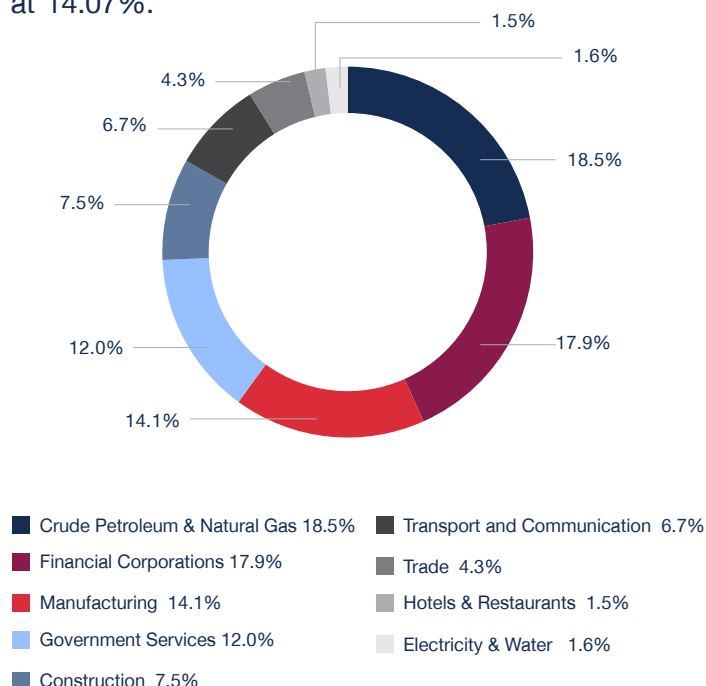
Main Indicators	2019	2020	2021f	2022f	2023f
GDP (billions USD)	34.43	32.7	33.5	34.5	35.6
GDP (Constant prices, Annual % Change)	2.56	-5.1	2.4	3.1	3.1
GDP per Capita (USD)	23,203	22,195	22,508	22,739	22,971

Note: f = forecasted data

Source: IMF – World Economic Outlook Database, October 2021

## Bahrain GDP by Sector

The crude oil and natural gas sector is the largest contributor to GDP in Q3 2021 at 18.53%, followed by finance and insurance at 17.89% and manufacturing at 14.07%.



Source: Information and E-Government Authority



## Bahrain FDI

Statistics published by Bahrain's Ministry of Finance and National Economy in Q3 2021 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 8.4 billion, constituting 67% of total inward FDI stocks as of Q3 2021. In addition, 14% of the total inflow value was injected into the Manufacturing sector, amounting to BHD 1.9 billion. More than half of Bahrain's inward FDI stock came from Saudi Arabia (29.9%) and Kuwait (29%).

Sector	Inward Foreign Direct Investments Stocks (million BHD)	Share of Sectors (%)
Finance and Insurance	8,389.4	67.0%
Manufacturing	1,850.2	14.8%
Wholesale and Retail trade	619.8	4.9%
Information and Communication	444.7	3.5%
Others	1,223.5	9.8%
<b>Total</b>	<b>12,527.7 million BHD</b>	

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.



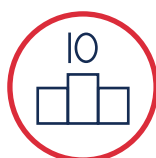
No tax imposed on corporate or personal income.



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.



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



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



## South Korea Economy

The Republic of Korea has undergone a major economic transformation from being one of the poorest countries in the world to becoming a developed, industrialized and high-income country. South Korea has focused on technology development and innovation to compensate for its limited geographic size and insufficient natural resources. Its \$2 trillion economy is led by sectors such as electronics, telecommunications, automobile production, chemicals, shipbuilding, textile and steel.

South Korea's largest and fastest-growing economic sector is services, constituting 57.1% of GDP and employing 70.2% of the active population (World Bank, 2022), especially department stores, store chains, and supermarkets. Tourism is a rapidly growing sector, with a rise of 14% in 2019 according to the Korean Tourism Organization, although it has been impacted by the COVID-19 pandemic more recently. Conversely, the agricultural sector makes a negligible contribution to the country's GDP, and its mineral resources are limited to gold and silver.

South Korea has robust export-oriented policies that contributed to its strong economic performance, and is the seventh largest exporter of goods and the ninth largest importer of goods

worldwide (World Trade Organization, 2021). Trade represented approximately 70.1% of its GDP in 2020, and main exports include electrical and electronic equipment, machinery, nuclear reactors, boilers, vehicles and plastics. South Korea's main imports include electrical and electronic equipment, mineral fuels, oils and distillation products, and machinery, nuclear reactors and boilers.

Sources: Santander Trade, The World Bank, Credit Agricole Group, Heritage

## South Korea GDP

According to the IMF's predictions in the October World Economic Outlook report, South Korea's economy is expected to grow by 3.3% in 2022. GDP per capita has been consistently increasing since 2019, and is expected to reach 38,791 USD by 2023.

Main Indicators	2019	2020	2021f	2022f	2023f
GDP (billions USD)	1,651.42	1,638.26	1,823.26	1,907.66	2,012.10
GDP (Constant prices, Annual % Change)	2.2	-0.9	4.3	3.3	2.8
GDP per Capita (USD)	31,937	31,638	35,196	36,792	38,791

Note: f = forecasted data

Source: IMF – World Economic Outlook Database, October 2021



## South Korea GDP by Sector

Manufacturing is the top contributing sector to the real GDP in South Korea in 2021, followed by Trade, Accommodation and Food Service Activities and Business Activities.

South Korea Real GDP by Sector in 2021 (trillion South Korean won)



Source: Statista

## South Korea FDI

The main investing countries in South Korea are Japan, the United States and the Netherlands. The primary invested sectors are Manufacturing, Financial and Insurance, Wholesale and Retail Trade, and Accommodation and Food Service. According to Santander, foreign investors mainly prefer to establish Limited Companies in South Korea.

### FDI Inflows to South Korea by Country

Main Investing Countries	% In 2019
Japan	24.6%
United States	16%
Netherlands	9.2%
Singapore	7.4%
United Kingdom	7.1%
Germany	4.1%
Hong Kong	4%
China	4%

Source: OECD Statistics - Latest available data  
Source: Santander Trade

### FDI Inflows to South Korea by Sector

Main Invested Sectors	% In 2019
Manufacturing	36.8%
Financial and Insurance	30.3%
Wholesale and Retail Trade	7.6%
Accommodation and Food Service	6.8%
Real Estate	5.3%
Information and Communication	3.8%

Source: OECD Statistics - Latest available data



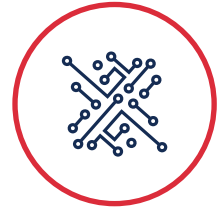
## Foreign Investment Advantages in South Korea



Highly skilled workforce thanks to an efficient education system.



Advanced R&D capabilities.



Dominant position in high-end electronics.



High quality infrastructure.



Solid banking sector.



Strong international financial position (currency reserves and low external debt).



Growth of investment in Asia.



Brand savvy consumers willing to spend on quality products.



High level of disposable household income.



Strong shipping and air cargo infrastructure.

Source: Santander Trade



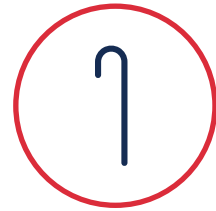
## Foreign Investment Challenges in South Korea



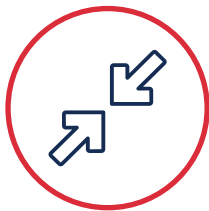
Regulatory frameworks can be restrictive and opaque.



High cost of manpower and inflexible labor law system.



Ageing population.



Frequent contract negotiations throughout a business relationship are common.



Property (leased or owned) is expensive.



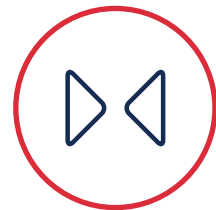
Dependence on raw material imports.



Household indebtedness and high unemployment rate among young people.



Regional tensions with North Korea and competition from China (steel, shipbuilding, electronics).



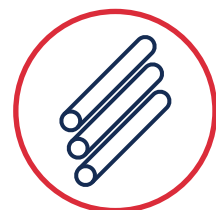
The presence of stiff competition from domestic manufacturers.



Extensive import regulations and testing requirements.



The agreements concluded between foreign and Korean companies are not long-term agreements, as Korean companies prefer flexible contracts.



South Korea imposes an import duty of 8% on certain aluminum products such as Rod and Wire, which limits their import from South Korea.



South Korea imposes an import duty of 10% on White Fused Alumina products on Bahraini companies, and this limits the ability of Bahraini companies to decide whether to import them, especially with the challenges of marketing some products in the local market.



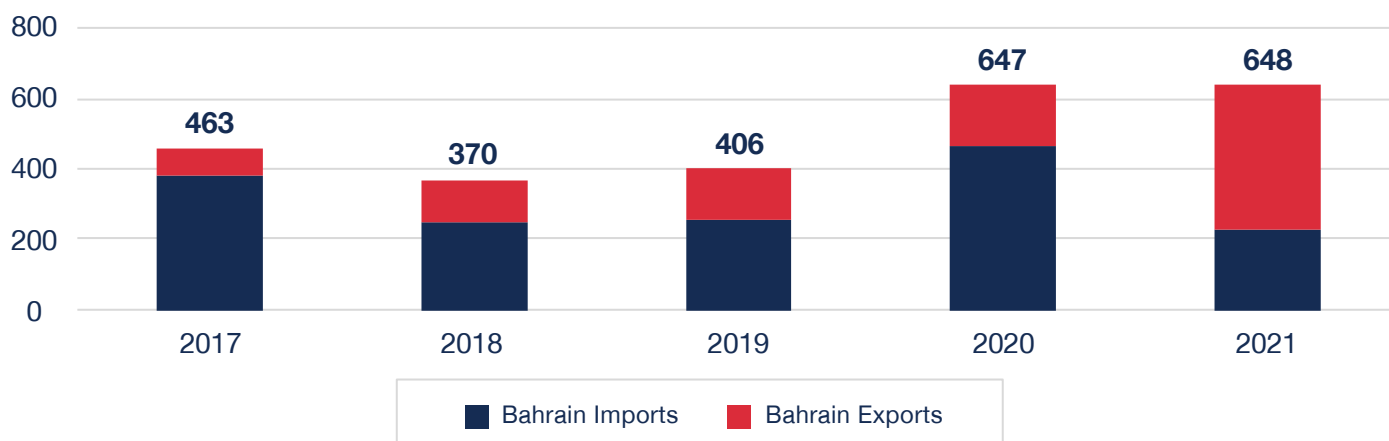
## Bahrain-South Korea Total Trade Performance

Trade between Bahrain and South Korea has grown by 135% from 2017 to 2021.

Since 2017, the volume of trade between Bahrain and South Korea has been steadily growing, except for the 20% contraction between 2017 and 2018. The Covid-19 pandemic does not seem to have impacted trade between the two countries, as the volume of trade increased by 59% between 2019

and 2020, from \$406 million to \$647 million. Trade levels remained consistent in 2021, at \$648 million, but exports to South Korea exceeded imports for the first time over the 5-year period. Exports from Bahrain to South Korea increased by 141% from \$173 million in 2020 to \$418 million in 2021. On the other hand, imports from South Korea decreased by 51% from \$473 million in 2020 to \$229 million in 2021. During 2021, South Korea was Bahrain's 6th top export partner and 14th top import partner.

### Bahrain-South Korea Bilateral Trade (million USD)



### Bahrain-South Korea Bilateral Trade (USD)

Year	Imports	Exports	Balance of Trade	Volume of Trade	VOT Annual Percentage Change
2017	389,095,130	74,382,161	- 314,712,969	463,477,292	68%
2018	251,052,482	119,497,749	-131,554,733	370,550,231	-20%
2019	256,444,665	150,041,525	-106,403,140	406,486,190	10%
2020	473,500,791	173,582,786	-299,918,005	647,083,577	59%
2021	229,836,607	418,254,571	188,417,964	648,091,178	0.2%

Source: Information and eGovernment Authority Bahrain



## Major Products Traded

### Bahrain Imports from South Korea

**7 of the top 10 imports from South Korea witnessed positive y-o-y growth, while only 2 contracted.**

In 2021, Bahrain's top imported product was private cars, valued at 25 million USD. The import value of this product increased by 230% compared to the previous year, and constituted 11% of total imports. The second most prominent imported product was other conductors over 1000 V and under 11 mm wide, and it also accounted for 11% of total imports and grew by 10693% compared to 2020. The third major import was pitch coke, and it accounted for 8% of the total annual imports and grew by 77% annually.

**Bahrain Major Imported Commodities from South Korea 2021**

	Commodity	Value (USD)	% Share	Y-o-Y Growth
1	Private cars, current, spark ignition, 1501 to 3000 CC	25,413,036	11%	230%
2	Other conductors over 1000 V and under 11 mm wide	24,847,030	11%	10693%
3	Pitch coke	17,567,659	8%	77%
4	Heat exchange units	10,625,652	5%	-86%
5	Other valves, cocks, etc.	7,967,919	3%	-35%
6	Polyvinyl chloride, not mixed with other	7,952,107	3%	249%
7	Machinery with a 360-degree revolving superstructure	6,623,206	3%	43%
8	Valves of tubes for wheels	6,091,132	3%	515%
9	Other zinc-plated iron or steel	4,556,635	2%	21%
10	Other automatic circuit breakers, 1001 V to 72.5 KV	4,472,963	2%	N/A

Source: Information and eGovernment Authority Bahrain



## Bahrain Exports to South Korea

7 of the top 10 exports to South Korea witnessed positive y-o-y growth, while only 2 contracted.

Bahrain exported 177 million USD worth of unwrought aluminium alloys to South Korea in 2021, making it the top exported commodity. This product accounted for 43% of total exports in 2021, and grew by 287% compared to 2020. The second major product exported was (U, I, H) sections, partially-worked, under 80 mm high, accounting for 20% of the total annual exports and witnessing an annual growth rate of 122%. The third major product exported was unwrought aluminium, not alloyed, accounting for 18% of total exports and growing by 562% compared to 2020.

**Bahrain Major Exported Commodities to South Korea 2021**

	Commodity	Value (USD)	% Share	Y-o-Y Growth
1	Unwrought aluminium alloys	177,964,985	43%	287%
2	(U, I, H) sections, partially-worked, under 80 mm high	82,002,200	20%	122%
3	Unwrought aluminium, not alloyed	74,495,181	18%	562%
4	Agglomerated iron ores and concentrates	23,529,106	6%	N/A
5	Ammonia in aqueous solution	17,857,516	4%	137%
6	Urea, whether or not in aqueous solution	8,159,264	2%	3%
7	Copper waste and scrap	7,788,422	2%	49%
8	Frozen crabs	7,715,912	2%	-29%
9	Polyethylene terephthalate sheets, film, etc.	4,513,117	1%	114%
10	Methanol (methyl alcohol)	4,501,064	1%	-26%

Source: Information and eGovernment Authority Bahrain



## Potential Opportunities for Trade

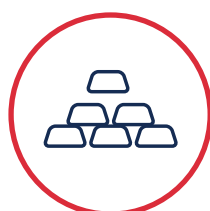
The following tables provide an overview of the top 10 commodities with untapped potential for trade between Bahrain and South Korea according to the International Trade Center's Export Potential Map which collaborates with Export Bahrain. The ICT trade potential tool calculates the potential trade gap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

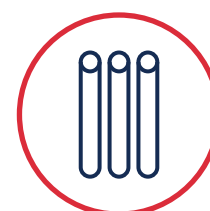
**Bahrain's top export potential is in aluminum and ferrous products.**



Aluminium, not alloyed,  
unwrought



Plates, of aluminium alloys,  
square/rectangular



Ferrous products obtained  
from iron ore

Commodity		Untapped Export Potential (USD)
1	Aluminium, not alloyed, unwrought	75 mn
2	Plates, of aluminium alloys, square/rectangular	7.2 mn
3	Ferrous products obtained from iron ore	7 mn
4	Wire, of aluminium, non-alloyed >7mm	1.9 mn
5	Waste & scrap of aluminium	1.8 mn
6	Food preparations	1.7 mn
7	Jewellery, of precious metal, nes	1.6 mn
8	Wire, of aluminium alloys > 7mm	1.1 mn
9	Processed cheese	1 mn
10	Fish meat, frozen	992 k

Source: International Trade Center, 2022

The top product with untapped export potential to South Korea is aluminium, not alloyed, unwrought with an export gap of \$75 million. This is followed by plates, of aluminium alloys, square/rectangular with an untapped export potential of \$7.2 million. The third major commodity with untapped export potential is ferrous products obtained from iron ore, with an export gap of \$7 million. Other potential exports from Bahrain to South Korea include other aluminium products, food preparations, jewellery, processed cheese and fish meat.



## Bahrain Untapped Import Potential from South Korea

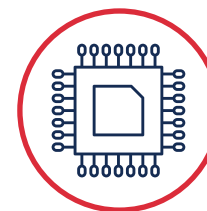
Bahrain's top import potential from South Korea is in motor vehicles, and smart cards, electronic integrated circuits and LED lamps.



Motor vehicles for the transport of persons, nes



Parts & accessories of motor vehicles, nes



Smart cards; electronic integrated circuits; LED lamps

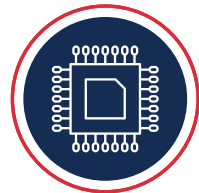
	Commodity	Untapped Import Potential (USD)
1	Motor vehicles for the transport of persons, nes	92 mn
2	Smart cards; electronic integrated circuits; LED lamps	8.3 mn
3	Parts & accessories of motor vehicles, nes	5.7 mn
4	Beauty, make-up & skincare preparations	5.4 mn
5	Articles of gold-/silversmiths' wares, of precious metals	4.8 mn
6	Telephone sets & other voice/image transmission apparatus	4.3 mn
7	Airplane/helicopter parts, nes	4.3 mn
8	Parts of telephone sets & other transmission apparatus	3.7 mn
9	Parts of office machines	3.2 mn
10	Motor vehicles for the transport of >=10 persons, incl. driver	2.7 mn

Source: International Trade Center, 2022

The top product with untapped import potential from South Korea is motor vehicles for the transport of persons, nes with an import gap of \$92 million. The second major product is smart cards; electronic integrated circuits; LED lamps, with an untapped import potential of \$8.3 million. The third major product with untapped import potential is parts & accessories of motor vehicles, nes, with an import gap of \$5.7 million. Other potential imports from South Korea to Bahrain include beauty and skincare products, precious metals, telephone sets, airplane parts and parts of office machines.



## Promising Sectors for Investment in South Korea



### Electronics

**South Korea is one of the largest manufacturers of electronic goods and is at the forefront of the smart consumer electronics trend.**

South Korea is a technologically advanced country, and is among the largest manufacturers of electronic goods and semiconductors. There are many globally popular Korean brands that produce electronics, including Samsung Electronics Co. Ltd., Hynix Semiconductor (SK Hynix Inc.) and LG. Consumer electronics account for around 67.3% of the electronic industry in South Korea. The development of smart products, such as smart TVs, smart refrigerators and smart air conditioners, is further growing this industry. Goldstein Market Intelligence expect the South Korea consumer electronics industry to grow at a CAGR of 7.6% between 2017-2030. The trend of including virtual reality (VR) in the manufacturing of consumer electronic products provides an additional advantage to South Korea by helping the country achieve manufacturing efficiency and low costs.



### Information Communication Technology

**Opportunities for investment in AI technology, semiconductors, cloud computing and cybersecurity in South Korea's globally leading ICT sector.**

South Korea is recognized as a leading global information and communication technology center, and is at the top of the Bloomberg Index of Most Innovative Nations 2021. The country has a highly advanced ICT infrastructure with the world's fastest internet speeds, and is home to global leading electronics and IT companies such as Samsung Electronics, LG Electronics, SK Hynix and Naver. Moreover, South Korea's government support has made the country one of the most active markets for telecommunications and information technology. It is a booming mobile market and has one of the highest numbers of broadband services per capita in the world. South Korea has become a primary target for cyberattacks, with its implementation of a 5G network, high degree of network connectedness, high penetration of mobile devices and significant intellectual property. As such, there are opportunities for investment in cybersecurity products and services. Companies can test out cybersecurity solutions before deployment in other markets and provide related consulting and training services domestically. South Korea is also developing its AI capabilities,



and the government released a fiscal 2021 budget plan that calls for more than \$2 billion in funding for AI technology related projects. Additionally, as South Korea is a leading producer of semiconductors, there is a large market for suppliers of equipment, materials, and services for semiconductor production. The cloud computing market is also growing, with global players such as Amazon Web Services, Microsoft and Google leading it in South Korea.



## Automobiles

**South Korea has an advanced automotive industry with globally established brands and is currently integrating more sustainable models.**

South Korea's automotive industry is highly developed and has a huge capacity for automobile production. It is the fifth largest producer of passenger cars in the world. The automobile industry accounts for 13% of manufacturing output, generates 12% value added and contributes to 12% of total employment in South Korea. Well-known Korean automobile brands include Hyundai, Renault Samsung, and Kia. In line with the global trend, the automobile industry is currently transforming to become more sustainable. The South Korean government strives to produce 6.3 million fuel cell electric vehicles and build 1,200 refueling stations across the country by 2040 to reduce greenhouse gas emissions. Additionally, car sharing is becoming more common and Socar, the leading car sharing

company, has been collaborating with Tesla, SK telecom, Naver, and other IT companies to develop a self-driving and car sharing system.



## Financial Services

**South Korea has a strong and well-regulated financial services sector that is attractive for foreign investment.**

South Korea is a highly competitive global financial center, with the second largest insurance market and third largest banking market in Asia. Due to strong fundamentals and active regulation, the banking sector is stable and attractive for investment. Foreign investors own around 70% of the banking sector. The easing of controls on cross-ownership of financial services will further pave opportunities for market entry, acquisition and business development. Furthermore, there are opportunities for asset management companies to work alongside South Korean sovereign wealth funds, including the South Korean National Pension Service (the fourth largest in the world), and the South Korean Investment Corporation. The asset management sector is expected to grow because of pension reform. More than a third of the country's 52 asset managers are now solely or jointly run by international groups. The insurance subsector is dominated by a few local players, but opportunities for foreign companies have included acquisition of existing companies and Greenfield start-ups.



## Life Sciences and Healthcare

**South Korea has an advanced healthcare sector with opportunities for investment in drugs, high-end equipment and telemedicine and the biologics industry.**

There are vast investment opportunities in the life sciences and healthcare fields as South Korea has a rapidly ageing population, as well as a social emphasis on healthy lifestyles. In 2010, 11% of the population was over 65, and it is forecast to be over 20% by 2025. Furthermore, healthcare expenditure in South Korea has grown from 4.4% of GDP in 1990 to 7.1% of GDP in 2010, with an annual growth rate of around 9%, twice as high as the OECD average. Investment opportunities include the supply of branded drugs and over-the-counter supplements and natural-ingredient-based products. There are also opportunities to supply high-end equipment and telemedicine in South Korea's developed healthcare market. Due to the coronavirus pandemic, R&D investment in the biotech and biomedical sectors was boosted. The biologics industry is being developed across the nation, and a center to foster biologics processing experts will be established at Yonsei University Global Campus. Moreover, collaboration will increase due to the establishment of regional biotech company clusters such as Songdo in Incheon, Wonju in Gangwon Province, Osong in North Chungcheong Province and Daegu.



## Shipbuilding

**South Korea leads the shipbuilding industry globally and has competitive advantages compared to other countries in the region.**

South Korea is prominent globally in the shipbuilding industry, and the top 4 out of the top 8 shipbuilding enterprises are South Korean companies. Hyundai Heavy Industries is the largest and it topped the global ranking in shipbuilding orders in January 2022, allowing South Korea to maintain its leading rank in the global industry. Among the big three shipbuilding countries (Korea, China and Japan), Korea has shown a competitive advantage by receiving orders of ships with high added-value (extra-large tankers, container ships, LNG carriers). In 2019, the amount of orders received by Korean shipbuilders took the lead in the global market with a 37% share, followed by China (34%) and Japan (13%). South Korea intends to dominate the shipbuilding industry within the next 10 years. The Ministry of Trade, Industry, and Energy of South Korea has set a target for shipbuilders to capture up to 75% of the market share for environmentally friendly boats with low or no carbon emissions by 2030, up from 66 per cent currently. It also aims for a 50% market share for autonomous ships in the same time frame, a market that has yet to be developed.



## Tourism

**Growing tourism industry in South Korea, particularly with increasing global popularity of Korean culture.**

Tourism is a growing industry in South Korea, and the country is currently ranked as the 20th highest country receiving the most visitors in the world. Inbound visitors to South Korea were about 8.8 million in 2010, and increased to 17.5 million in 2019 (Statista). Seoul and Jeju are the most popular cities in South Korea for international visitors. In 2019, Seoul ranked 23rd among the world's most popular cities with 9.11 million tourists. Jeju was in 100th place with 2.28 million tourists. On average, each of the tourists arriving in 2020 spent about \$4,093. Korea is pursuing a Tourism 2020 strategy that includes easing visa rules to attract more visitors from China, Vietnam, the Philippines, Indonesia and India. Additionally, four local municipalities will be developed into regional tourism hubs, and tour programs will embrace more cultural content, such as K-pop, to attract fans of Korean pop culture. The government will also increase subsidies for tourism to a level similar to that allocated to the manufacturing industry.



## Education

**South Korea has a large private education market with opportunities to invest in ed-tech.**

South Korea has one of the largest education markets in the world, and the strong education system is credited for helping to transform the country and rapidly grow its economy over the past 60 years. It is common to pay for education at all levels in South Korea, from pre-school to college and university. There are nearly 100,000 “hagwons” in the country, and they are for-profit private institutions that students often attend in substitution of public kindergarten or preschool, as an after-school program and sometimes both. These institutions are often named “crammers” as the curriculum is fast-paced and covers various subjects. The value of this market is estimated at approximately US \$20 billion. There is also great potential for investment in the education technology market, including mobile learning environments, online learning analytics for instructional design, and artificial intelligence for learning sciences research. The government has strongly supported the ed-tech sector for decades and it is a cornerstone of its strategy to reform the education system to focus on developing students' skills and using the latest cutting-edge technology.



## Design and Creative Industries

**Significant demand for foreign marketing agencies in South Korea to promote export-oriented companies globally.**

Design and creative industries are becoming increasingly important in South Korea to promote manufacturing companies competing to gain a larger share of the global marketplace. Companies are developing new design concepts by establishing closer partnerships with overseas companies with a strong track record in innovation. Increasing numbers of South Korean companies seek professional advice and design solutions in both the local and global market. However, very few domestic design consultancies possess the necessary skills to meet this demand. This has generated significant opportunities for foreign design agencies, particularly for those with a proven record in corporate design research and strategy. Opportunities exist in the product/packaging, design and brand identity, design consulting and public design fields.

Sources: Statista, Open to Export, Goldstein Market Intelligence, World Atlas, The Korea Herald, International Trade Administration, Hellenic Shipping News, Invest Korea, TFI Global News, OECD



## Free Trade Agreement between South Korea and GCC Countries

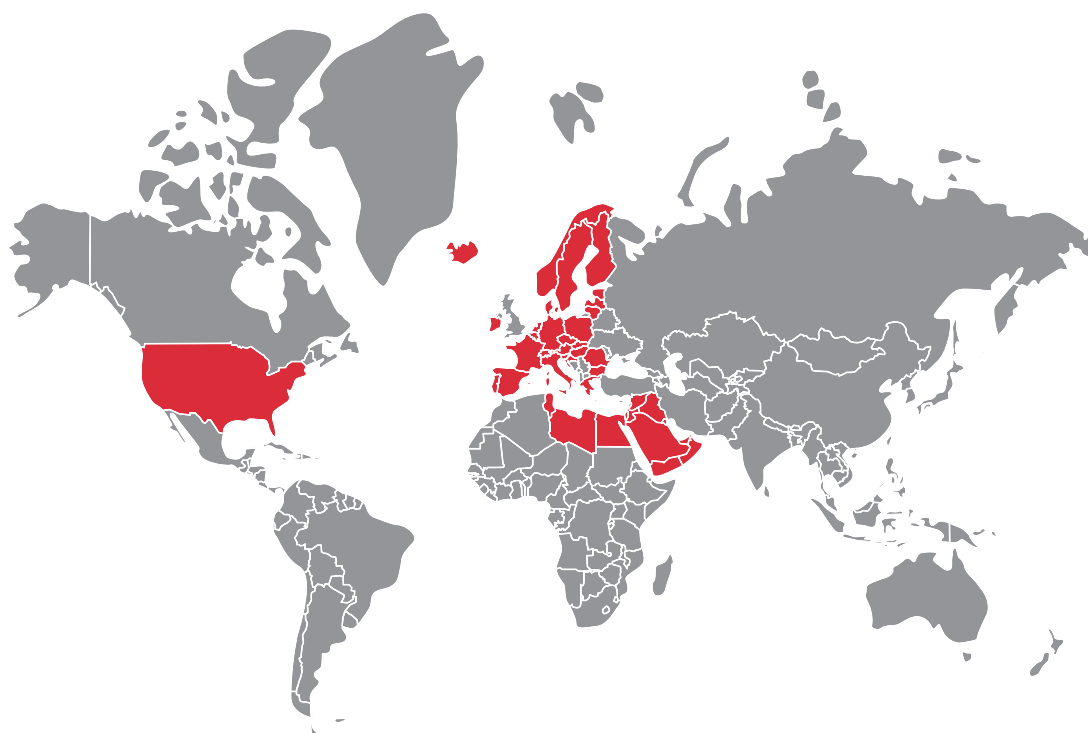
In January 2022, it was announced that South Korea and the Gulf Cooperation Council will resume free trade talks, with an agreement expected to be reached within 6 months from the date of the first round of negotiations. The GCC countries are focused on diversifying their economies away from oil and on investing in renewable and clean energy, which makes it increasingly important to strengthen trading relationships. The free trade agreement between the GCC countries and South Korea is intended

to solidify economic relations and the strategic partnership between them. The GCC and South Korea previously engaged in free trade negotiations from 2007-2009, but they were suspended in 2010. The Gulf market is considered crucial for South Korea, considering its population, income, and growth potential. The decision to resume the negotiations provides an opportunity to bolster trade, investment, and collaboration between South Korea and the GCC. Promising sectors for cooperation include the economic, investment, commercial and cultural fields, in addition to renewable energy, the defense industry, healthcare and digital education.

## Existing Free Trade Agreements in Bahrain and South Korea

**Bahrain has free trade agreements with 22 countries:**

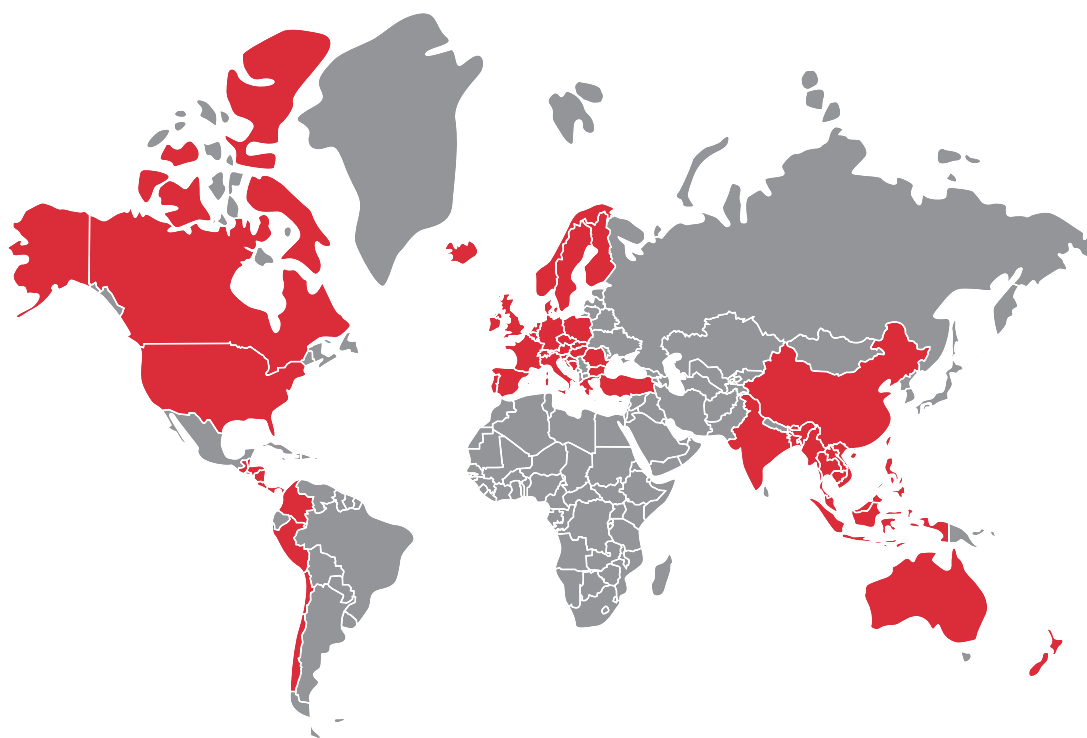
1. Greater Arab Free Trade Area
2. GCC
3. Singapore
4. European Free Trade Association
5. The United States





## South Korea has 18 free trade agreements with 58 countries:

1. Chile
2. Singapore
3. EFTA (European Free Trade Association) (4 countries)
4. EU (27 countries)
5. ASEAN (10 countries)
6. India
7. Peru
8. USA
9. Turkey
10. Australia
11. Canada
12. China
13. New Zealand
14. Vietnam
15. Colombia
16. Central America (5 countries)
17. UK
18. RCEP (14 countries including Korea)



Source: Ministry of Foreign Affairs- Republic of Korea, Bahrain EDB, Yonhap News Agency, The Cooperation Council for the Arab States of the Gulf

## Conclusion

Bahrain and South Korea have maintained a strong trading relationship over the past 5 years, and there is significant potential to further grow bilateral relations. Trade between the two countries was not impacted by the coronavirus pandemic, which is evidenced by the fact that the volume of trade increased by 59% from 2019 to 2020. South Korea has an industrialized and

technologically-advanced economy with developing sectors that provide promising collaboration opportunities, particularly considering Bahrain's economic diversification goals. Furthermore, the ongoing FTA agreement negotiations between South Korea and the GCC countries should bolster trade and investment between South Korea and Bahrain.



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