Summary

Manama, Bahrain 8-10 May 2018

Regulatory Issues and Ease of Doing Business Across the GCC **10 May**

Key points

- The Bahraini government is removing itself from business to limit its role to that of a regulator and facilitator.
- Everyone is treated equally under the laws of Bahrain.
- Bahrain has an open and progressive worker visa policy, which gives it access to an unlimited talent pool.

Synopsis

For decades, countries in the GCC region have had local hiring quotas, which businesses must fill to be able to obtain work visas for non-national workers. “Bahrain started this in 1996,” said Ausamah Al Absi, Chief Executive Officer, Labour Market Regulatory Authority, Bahrain. However, he said, “Trying to get into a business and telling them who to hire is not where Bahrain as a country wants to be.” When the government regulates too tightly, “It interrupts the mechanisms between employer and employee,” and creates a system in which people are employed by virtue of law and not by meritocracy.

Thus, the government created the “Bahrainisation parallel system”, whereby companies can continue to hire based on their needs – bringing in skilled foreign labour by paying extra fees – or fulfil their needs by using Bahraini employees and avoid paying the extra fee. Based on economics alone, this levels the playing field, he said, adding that the fees saved can be used for training local workers. This way of thinking ensures that the government is “removed from the daily business of business”, becoming a facilitator and regulator.

“I think other countries in the region would do well by following that model,” affirmed Khush Choksy, Senior Vice President, Middle East and Turkey Affairs, US Chamber of Commerce, United States. He noted that Bahrain has a rich history of focusing on human capital.

Bahrain sees itself as a facilitator, an enabler for the private sector, said Nada Azmi, Senior Manager, Bahrain Economic Development Board (EDB). The country’s reforms started with the liberalisation of the telecommunications sector and are now focusing on enhancing transparency and improving the investment climate in general to foster private-sector development. The non-oil sector’s contribution to GDP in 2000 was 50%; today it is 81%, which is a testament to the success of the country’s diversification drive.

The EDB aims to improve the ease of doing business by streamlining procedures and reducing time and costs. By streamlining the causeway, for instance, it has helped companies such as Mondelez and DHL to improve their logistics. Bahrain is now transitioning towards a digital economy, having launched several initiatives in the last year such as a regulatory sandbox – a safe environment where businesses can test new technologies without regulatory constraints – and a cloud-first policy to bring technology companies to the country. Such ventures aim to attract companies to make Bahrain their first foray into the GCC.

What does Bahrain have that others in the GCC don’t, especially when they are doing the same things? asked Anil Kumar, Group Chief Executive Officer, Ransat, United Kingdom. Al Absi answered: regulation, cost and the ability to expand. Bahrain does not have special free trade zones or special conditions, because “what is given in a special condition can be removed in a special condition,” he said, implying that it follows open policies as a rule. A company that is 100% foreign-owned but registered in Bahrain is Bahraini. Costs are lower in Bahrain and, in terms of the ability to expand, the country has launched the first non-sponsor migrant worker and residency visa in the GCC, providing excellent access to a pool of workers. The United Nations considers this as a best practice in migration management, he said, adding, "It goes beyond and against conventional wisdom and norms as a progressive country." The only differentiation for work visas is between hospitality and other workers. Otherwise, workers at any level, blue collar and white collar alike, come under the same type of worker visa.

Everyone is treated equally under the laws of Bahrain, Al Absi continued. What is applicable on the commercial side or on the personal side is the same whether a person is Bahraini or not, whether a company is 100% Bahraini-owned or foreign-owned. Bahrain has also modernised its insolvency framework, which fosters entrepreneurship by destigmatising failure and enabling those that do not succeed at first to try again.

"Broadly, where Bahrain can differentiate itself is by having and broadcasting a strong knowledge and intellectual property framework," said Choksy. In the GCC in general, there is room for improvement, but Bahrain has already made significant progress. As a small country, Bahrain should also focus on niche areas in order to attract entities that can benefit from its expertise. While Amazon Web Services is a good example of a company making great strides in the country, Bahrain should also welcome those companies that are creating new technologies, building on them and venturing into new sectors, he said.

Other insights

- The impact of value-added tax on businesses in the GCC is an issue, now that the United Arab Emirates and Saudi Arabia have implemented it. While it was a step in the natural evolution of their tax regimes, according to Choksy, "There is still a lack of clarity in terms of rollout and conformity in the countries in the GCC."
- While performing due diligence is important, it is necessary to take on risk when going into a new country.
- Most (87%) chief executives in Bahrain say transparency is high or very high in the country. Yet people look at the GCC region and assume that whatever is the case in one country is the case in all countries. Bahrain suffers the consequences of being grouped with the other countries.

Session panellists
Ausamah Al Absi, Chief Executive Officer, Labour Market Regulatory Authority
Anil Kumar, Group Chief Executive Officer, Ransat, United Kingdom
Nada Azmi, Senior Manager, Bahrain Economic Development Board, Bahrain
Khush Choksy, Senior Vice President, Middle East and Turkey Affairs, US Chamber of Commerce, United States

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Disclosures
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