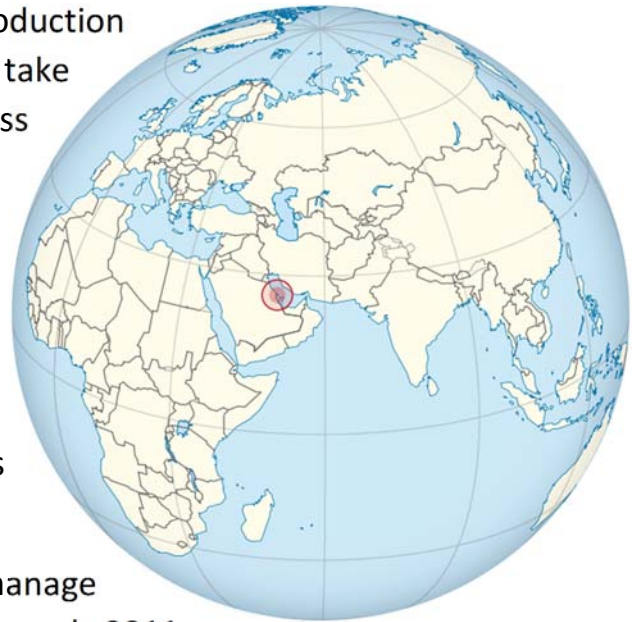


Bahrain

Background: In 1783, the Sunni Al-Khalifa family took power in Bahrain. In order to secure these holdings, it entered into a series of treaties with the UK during the 19th century that made Bahrain a British protectorate. The archipelago attained its independence in 1971. A steady decline in oil production and reserves since 1970 prompted Bahrain to take steps to diversify its economy, in the process developing successful petroleum processing and refining, aluminum production, and hospitality and retail sectors, and also to become a leading regional banking center, especially with respect to Islamic finance. Bahrain's small size and central location among Gulf countries require it to play a delicate balancing act in foreign affairs among its larger neighbors.



The Sunni-led government has long struggled to manage relations with its large Shia-majority population. In early 2011, amid Arab uprisings elsewhere in the region, the Bahraini Government confronted similar pro-democracy and reform protests at home with police and military action, including deploying Gulf Cooperation Council security forces to Bahrain. Political talks throughout 2014 between the government and opposition and loyalist political groups failed to reach an agreement, prompting opposition political societies to boycott parliamentary and municipal council elections in late 2014. Ongoing dissatisfaction with the political status quo continues to factor into sporadic clashes between demonstrators and security forces.

Basic Facts

Population	1,378,904 (July 2016 est.)
Area	765 km ² (173rd)
currency	Bahraini dinar (BHD)
GDP - per capita (PPP)	\$ 22,600.2 (2015 est.)
Export Volume	\$ 20.69 billion (2013)
Import Volume	\$ 14.41 billion (2013)
Export to OIC Member States	7,055,808 (2015)
Import from OIC Member States	3,119,729 (2015)

Economy - overview: Low oil prices have generated a budget deficit of at least a \$4 billion deficit in 2015, 13% of GDP. Bahrain has few options for covering this deficit, with meager foreign assets and a constrained borrowing ability, stemming in part from a sovereign debt rating averaging just above “junk” status.

Oil comprises 86% of Bahraini budget revenues, despite past efforts to diversify its economy and to build communication and transport facilities for multinational firms with business in the Gulf. As part of its diversification plans, Bahrain implemented a Free Trade Agreement (FTA) with the US in August 2006, the first FTA between the US and a Gulf state.

Other major economic activities are production of aluminum - Bahrain's second biggest export after oil - finance, and construction. Bahrain continues to seek new natural gas supplies as feedstock to support its expanding petrochemical and aluminum industries.

In 2011 Bahrain experienced economic setbacks as a result of domestic unrest driven by the majority Shia population, however, the economy recovered in 2012-15, partly as a result of improved tourism. In addition to addressing its current fiscal woes, Bahraini authorities face the long-term challenge of boosting Bahrain’s regional competitiveness—especially regarding industry, finance, and tourism—and reconciling revenue constraints with popular pressure to maintain generous state subsidies and a large public sector