

## THE ROLE OF SHEIKH KHALIFA BIN SALMAN AL KHALIFA IN ECONOMIC DEVELOPMENT IN BAHRAIN DURING THE PERIOD 1981-1990

Falah Amer Khalaf Al-Jubouri<sup>1</sup>, Prof. Dr. Firas Saleh Khader Al-Jubouri<sup>2</sup>

<sup>1</sup>Tikrit University / College of Education for Humanities

<sup>2</sup>Tikrit University / College of Education for Humanities

fa230793ped@st.tu.edu.iq<sup>1</sup>

Drfirasdrfiras@gmail.com<sup>2</sup>

### Research Summary:

The events of the 1980s led to a decline in oil prices from \$34.2 per barrel in 1981 to \$18.6 per barrel in 1990. This, coupled with the wars that plagued the region, including the Iran-Iraq War (1980-1988), transformed the Arabian Gulf region into an unattractive and unsuitable environment for investment. In response, the Prime Minister of Bahrain, Sheikh Khalifa bin Salman Al Khalifa, focused on diversifying the Bahraini economy by developing non-oil sectors, particularly trade, industry, and services. He aimed to transform Bahrain into a regional financial and business hub to reduce its dependence on oil. Furthermore, Sheikh Khalifa encouraged Gulf, Arab, and foreign investments by developing infrastructure and providing necessary incentives to establish Bahrain as a center for investment and finance.

**Keywords:** Sheikh Khalifa, Bahrain, Arabian Gulf region, oil sector, trade sector

### First: In the economic field:

With the aim of supporting economic development in Bahrain, Sheikh Khalifa bin Salman Al Khalifa took three important measures during the period 1980-1990:

A- Launching a long-term program, proposed by the Ministry of Finance and National Economy, aimed at developing a plan for the period 1982-1985 to expand and diversify the Bahraini economy, improve the quality of social services such as health, education, and housing, and rationalize consumption by encouraging saving and investment. To this end, the Ministry established the Department of Economic Affairs and Planning, which divided existing ministries into four groups: infrastructure, economy, social sector, and administrative sector. This department then formed committees to link the ministries and focused its program on government investment spending. After a year of implementing the program, the government reviewed it and extended it to 1987 due to a decline in its revenues.<sup>(1)</sup>

B- Reorganization of the Ministry of Finance by establishing the Department of Economic Affairs in 1983 to enhance the Ministry's economic role. The department consisted of the following divisions: Economic Research and Evaluation, Economic Relations, and Investment.<sup>(2)</sup>

The adoption of an indicative planning plan in 1985 involved the establishment of the Strategic Options Committee, chaired by the Ministry of Finance and National Economy and comprising representatives from several ministries, including the Ministry of Development and Industry, the Ministry of Education, and the Ministry of Labor and Social Affairs. The committee's mandate was to study available alternatives for the Bahraini economy in the long term, up to the year 2010. In 1986, the committee issued its final report, which identified the advantages and weaknesses of each sector and set objectives and action plans for each sector, to be implemented by both the public and private sectors.<sup>(3)</sup>

Furthermore, Sheikh Khalifa bin Salman Al Khalifa issued a set of laws regulating and stimulating economic activity, the most important of which are:

A- Issuing Decree-Law No. (6) of 1984 concerning the regulation of industry, which stipulated the granting of licenses based on the following considerations: First, the country's economic needs and the potential for local consumption and export; Second, the requirements of the

country's development programs; Third, that the purpose of the establishment does not violate public order or the public interest; Fourth, the extent to which the local market can accommodate the establishment of a facility similar to existing ones. <sup>(1)</sup>

B- Issuing Decree-Law No. (11) of 1985 regarding the protection and support of national industries, which aims to impose customs tariffs on imported products similar to national products or to specify those that are imported, while providing support using aid, facilities or privileges obtained by national industrial establishments, as well as everything that leads to encouraging and developing national industry <sup>(2)</sup>.

T- Issuance of Decree-Law No. (4) of 1987 establishing the Bahrain Stock Exchange, pursuant to which a stock exchange was established with the aim of expanding and developing the stock market in terms of issuance or trading in a way that helps achieve the economic policy objectives of the State of Bahrain, serves its development processes and supports its economic position regionally and globally. <sup>(3)</sup>

Th- Issuance of Decree-Law No. (19) of 1989 regarding the practice of wholesale trade in the Kingdom of Bahrain by citizens of the Gulf Cooperation Council (GCC) countries, which stipulated that citizens of GCC countries that signed the Unified Economic Agreement issued in 1981 shall be treated exactly like Bahrainis with regard to the practice of wholesale trade in the Kingdom of Bahrain <sup>(1)</sup>.

Following the issuance of these laws, Sheikh Khalifa bin Salman Al Khalifa worked to significantly diversify the Bahraini economy. The contribution of the oil sector to the GDP decreased to 21.8% during the period 1981-1985, compared to 78.2% for non-oil sectors. As a result of policies of subsidies, exemptions, and tax incentives, oil revenues remained the primary source of funding for the general budget. While the average total budget revenue during the period 1980-1989 was approximately 476 million Bahraini dinars, average oil revenues amounted to 313 million Bahraini dinars. Investment expenditures constituted more than one-third of the total general budget expenditures. <sup>(2)</sup>

The following table illustrates the successes achieved by the Bahraini government during the period 1981-1990 in economic diversification and reliance on non-oil sectors to confront the crises that Bahrain faced, whether in terms of declining oil prices or fluctuating production from the Bahrain Field. In most years, the non-oil sectors achieved growth rates that exceeded the growth rate of the oil sector. <sup>(3)</sup>

**Table No. (1) Annual growth rates for non-oil and oil sectors <sup>(4)</sup>**

Fixed oil prices	Non-oil fixed prices	Current oil prices	Non-oil current prices	years
13,5-	1,4-	6,8	14,9	1981
37,3-	12,7	6,9-	10,8	1982
2,4	12,5	13,2-	12,1	1983
12	1,3	1,6	4,4	1984
0,6-	3,4-	22,1,-	12,6-	1985
6,1	1,7	2,6-	3,7-	1986
12,5-	3,6	13-	0,7	1987
0,7	13,1	20,7	14	1988
2,8	0,8	38	5,1	1989
3,9	0,8	8,50-	3	1990

Sheikh Khalifa bin Salman Al Khalifa also worked to support the national economy sectors during the period 1980-1990 AD, and we review the most important sectors below:

### **1-Oil Sector:**

Sheikh Khalifa bin Salman Al Khalifa intensified efforts to utilize the country's oil and gas resources. With the decline in production from the Bahrain Field, he worked to strengthen oil cooperation with the Kingdom of Saudi Arabia. This led to an increase in Bahrain's share of the Abu Safah Field from 44,000 barrels per day in 1976 to 100,000 barrels per day in 1990. He also ensured the continued supply of 250,000 barrels per day of Saudi oil to the Sitra Refinery for the production of refined petroleum products. This raised the oil sector's contribution to 80% of Bahrain's exports and to more than 60% of the general budget revenues. (1).

In 1981, the Prime Minister of Bahrain, Sheikh Khalifa bin Salman Al Khalifa, purchased 60% of the shares in BAPCO's field operations, achieving full Bahraini ownership of the oil fields. This increased the Bahraini government's share in the oil industry and the revenue transferred directly from the Sitra refinery. In 1983, the oil marketing unit was integrated into BAPCO, having previously been under the Ministry of Development and Industry in 1980. Furthermore, BAPCO was restructured as a refining company with 60% ownership by the Bahraini government and 40% by Caltex. Banco assumed full and direct responsibility for oil and gas production operations from the Bahrain Field. In 1985, Sheikh Khalifa bin Salman Al Khalifa directed the establishment of Bahrain Aircraft Fueling Company (BAFCO), a joint venture between Banco (60%), Caltex (27%), and BP (13%). Given the limited natural gas production, averaging 790 million cubic feet per day, Sheikh Khalifa directed the development of the associated gas project, which commenced in December. The first was in 1979, with the participation of the Bahrain Petroleum Company, the Arab Investment Company, and Caltex Company, and the Heavy Oil Conversion Project with the participation of (Bahraini, Saudi, Kuwaiti). (2).

### **2- The Industrial Sector:**

The Bahraini government has given considerable attention to the industrial sector in order to create a strong and diversified economy that is not dependent on oil. Sheikh Khalifa bin Salman Al Khalifa, relying on Bahrain's oil reserves, aimed to establish an industry based on the efficient use of this natural resource. This included using oil as energy to power factories and not exporting it as a cheap raw material, instead focusing on producing high-value refined petroleum products and petrochemicals. As a result of his focus, the Bahraini industrial sector has become dominated by major industries such as oil refining, aluminum, petrochemicals, and iron, contributing 17% to the GDP. (3).

Sheikh Khalifa bin Salman Al Khalifa encouraged Gulf investments to establish these industries in Bahrain, as they require substantial capital, which the private sector is hesitant to invest in. These investments also attracted modern technology and provided training opportunities for Bahraini workers, equipping them with technical and managerial skills. As a result, Bahraini workers now comprise over 80% of the workforce in these industries. Sheikh Khalifa also directed that these industries be export-oriented, as the Bahraini market was limited and insufficient to absorb their products. The Gulf market, particularly Saudi Arabia, along with other Arab and international markets, facilitated this. Although the export nature of these industries made them susceptible to global market fluctuations, it also increased Bahrain's integration into the international economy. To establish new industrial projects and enhance the production capacity of existing ones, the Arab Iron and Steel Company was founded in 1981. It is owned by several industrial and financial institutions in Bahrain, the UAE, Kuwait, and Jordan. Additionally, the Bahrain Steel Company (Al Noor) was established in 1984, producing iron billets used in steelmaking. The total amount reached (4) million tons annually, and in 1986 AD, sponge iron production began as a medium-sized industry, relying on the

import of its raw and intermediate materials and exporting its production to the regional market.<sup>(3)</sup>

A joint venture to convert heavy oils into light oils was established in 1981 between Bahrain, Kuwait, and Saudi Arabia. Bahrain contributed 40% of the capital, while Kuwait and Saudi Arabia each contributed 30%, forming an equal partnership. This project was one of several joint ventures that Bahrain began promoting to attract Arab and foreign companies to establish and invest their capital in Bahrain through the development of industrial projects.<sup>(4)</sup> In addition to the Bahraini government's interest in ship repair and its support for these industries to contribute more to the Bahraini government's economic income, the Arab Shipbuilding and Repair Yard Company, based in Manama, was able to increase its income by (50%) in 1982 compared to 1981, due to the interest shown by the Bahraini government in this industry.<sup>(5)</sup>

In 1984, the Bahraini government inaugurated its first iron pellet plant with a production capacity of approximately 4 million tons per year. The government also focused on developing the petrochemical industry, establishing the Gulf Petrochemical Industries Company (GPIC) on the eastern coast of Sitra, covering an area of 60,000 square meters. This joint venture between Bahrain Petroleum Company (BAPCO), Kuwait Petroleum Chemical Industries Company (KPIC), and Saudi Basic Industries Corporation (SABIC) initially produced 1,000 tons per day of ammonia and methanol, increasing to 1,200 tons per day in 1989. Urea production commenced that same year, reaching a capacity of 1,700 tons per day. The company's annual exports amounted to approximately 1.5 million tons. These projects employed 490 workers, with a Bahrainization rate of 95%. However, the decline in oil prices continued year after year, reaching its lowest point in 1986 when the price per barrel fell to around \$13. This significantly impacted oil revenues, which had been the primary source of Bahrain's national income. Consequently, the Bahraini government exerted considerable efforts to establish new economic projects that would contribute to national income and reduce dependence on oil revenues. This decline was due to several factors, most notably the Iran-Iraq War, as well as the issue of companies that controlled oil production and prices to serve their own interests. However, the issue of insurance and the government's control over the oil sector significantly contributed to the decline in oil prices during the 1980s to their lowest levels.<sup>(4)</sup>

The Bahraini government has put in place numerous plans for industry because it is an economic activity that is intensive in its investment of capital, and its development is one of the most important foundations of economic and social progress because large industrial projects provide job opportunities for a large number of people. There were many industries related to oil, and as a result, the significant decrease in oil prices led to a decrease in the contribution of the extractive industries sector to the overall GDP. In contrast, the relative contribution of non-oil sectors, i.e., industries that do not depend on oil, known as manufacturing industries, has increased.<sup>(2)</sup>

Following the decline in oil prices, the Bahraini government addressed the significant drop in oil revenues by developing its industrial infrastructure. This included launching several new industrial projects and inviting other Gulf Cooperation Council (GCC) countries to invest in Bahraini economic projects. This invitation resulted in the establishment of the Gulf Aluminium Rolling Mill Company in 1986, with a 20% Bahraini share of the capital. The remaining shares were divided among Kuwait, Iraq, Qatar, Saudi Arabia, and Oman. The project cost an estimated 24 million Bahraini dinars. This company was the first joint Gulf industrial venture, a testament to the fruitful efforts of industrial cooperation and coordination among the GCC countries. In 1986, aluminum production reached a capacity of 178,200 tons, a substantial increase compared to previous years. This reflects the Bahraini government's strong commitment to industry in general and the aluminum industry in particular. In 1987, the

Bahraini government established the Industrial Development Center and worked to further develop the sector, in addition to initiating new projects as part of its economic diversification plan. To reduce dependence on oil, the Bahraini government continued its efforts to diversify the economy and establish industrial projects. In the oil refining sector, it implemented a plan to increase the production capacity of the Bahrain Oil Refinery. It also focused more on petrochemicals, cement, and metals, and paid particular attention to the aluminum industry, with production reaching 182,804 tons in 1988. Despite facing economic difficulties, Bahrain continued to support and develop the industrial sector. It attracted and encouraged investors by offering incentives such as loans, providing industrial land at nominal rents, and ensuring the availability of electricity and water at subsidized prices, as well as exemptions from customs duties and taxes. <sup>(2)</sup>

The Bahraini government also paid great attention to small and medium-sized industries such as clothing, food, wood, paper products, printing, building materials, construction materials, chemicals, and plastics. Some of these industries met local needs, while others exported to the Gulf Cooperation Council (GCC) countries. The following table shows the number of small and medium-sized industrial establishments in Bahrain up to 1990. <sup>(3)</sup>

**Table No. (3) shows the number of small and medium industrial establishments in Bahrain up to the year 1990 AD <sup>(4)</sup>.**

Number of establishments	sector
105	Metal products
59	Food products, beverages and tobacco
58	Chemicals
57	Building materials and glass
23	Textiles, clothing and leather
13	wood products
8	Paper products
6	Essential minerals

### 3- Financial Services Sector:

Sheikh Khalifa bin Salman Al Khalifa worked to transform Bahrain into a hub for offshore banks, enabling them to provide financial services in the region and serve as the main driving force for this sector. The Bahraini banking sector witnessed remarkable development during the 1980s due to the Lebanese Civil War, which led to the closure of several financial institutions and banks that had branches in Beirut. These institutions relocated to Bahrain to establish branches there. As an initial step, Bahrain selected 27 suitable banks to develop this sector. This was an important initiative to encourage banks and financial institutions to operate within its borders, positioning Bahrain as an alternative and an international financial center in the Arabian Gulf region. <sup>(3)</sup>

During the early 1980s, Bahrain witnessed the opening of several financial companies, representing a significant step towards revitalizing, developing, and investing in the financial sector. Among these companies was Lanfstrup Company, established in 1982. It functioned as an investment bank with approximately one hundred investors, 15% of whom were British and American, and 70% from the Gulf and other Arab countries. Bahrain also saw the opening of the Bahraini Saudi Bank in 1983, marking another important step in the development of its banking sector and in attracting foreign investment, particularly as Bahrain had formulated an economic development plan to support investment projects, of which this bank was a key component. <sup>(5)</sup>

The Bahraini government established offshore banking units (offshore banks), initially numbering (18) units. By 1983, this number had increased to (65) units, which revitalized the local market by providing jobs and training opportunities, and contributing to the Bahraini economy in the form of annual fees of (10) thousand Bahraini dinars, in addition to providing secondary employment, living expenses, and housing. In 1984, the number of these offshore banking units increased to (77) units. This increase demonstrates the significant role played by the Bahraini government during the early 1980s in the banking sector, aiming to stimulate the economy and reduce its dependence on oil. <sup>(3)</sup>

In 1986, the Bahraini-Kuwaiti Bank was established with a capital of 3.649 billion Turkish Lira. This joint bank, headquartered in Turkey, was created due to the strong ties between the two countries and the Gulf Cooperation Council (GCC) states. Recognizing the importance of this sector to the Bahraini economy, the Bahraini government issued a decree on March 15, 1987, establishing and regulating the Bahrain Stock Exchange. Its management was entrusted to the Bahraini Minister of Commerce and Industry. This law aligns with the Bahraini government's objectives to develop the banking sector. <sup>(5)</sup>

The Bahraini government continued to focus on the banking sector, opening its first stock exchange on June 18, 1989, with the aim of strengthening the national economy and attracting foreign investment. The Bahrain Stock Exchange then began establishing contacts with major global, Western, and American stock exchanges to enhance cooperation and create direct links, ultimately transforming the Bahrain Stock Exchange into a global exchange and developing technical procedures to attract Western investment. <sup>(2)</sup>

These measures helped the Bahraini government create a large banking system that attracted Arab and foreign capital. This led to the opening of numerous banks in the country, transforming Bahrain into an international banking center. According to accurate statistics, by 1990, the number of banks and various financial institutions in Bahrain equaled the combined number of banks and financial institutions in all other Arab countries. This contributed to the creation of a very high-level financial and banking system that played a significant role in Bahrain's economic development and opened new horizons for the country. Sheikh Khalifa bin Salman Al Khalifa further strengthened this sector, making it the main artery fueling all sectors of the Bahraini economy. The following table illustrates the development in the added value of financial services activities from 1981 to 1991. <sup>(3)</sup>

**Table No. (4) Value added for financial services activities from 1981-1991 in millions of dinars <sup>(5)</sup>.**

1991	1981	Statement
68	23	Commercial banks
92	250	Offshore banks
51	1,4	Investment banks
10,7-	12	Insurance companies

#### **-4Construction and Real Estate Sector:**

Given the rising GDP of the real estate sector, which attracted significant interest from citizens of the Gulf Cooperation Council (GCC) countries, Bahraini Prime Minister Sheikh Khalifa bin Salman Al Khalifa worked to attract Gulf investments by allowing GCC citizens to own property in Bahrain. This facilitated a surge in Gulf investments, particularly from Kuwait, seeking to capitalize on the sector's growing revenues. As a result, the Bahraini real estate market now comprises 110 companies, including 17 international firms specializing in property

sales and leasing, in addition to over 600 real estate brokerage offices. The real estate sector's contribution to the Bahraini economy increased from 4.8% in 1976 to 5.4% in 1991. <sup>(1)</sup>

This sector now provides more than (35) thousand job opportunities, which is approximately (56%) of the total workforce in the industrial sector, which includes manufacturing and construction industries. This helped lay the foundation stone for the Hamad Town project in 1982 and its opening as the newest city in the region in 1984, accommodating (50) thousand to (60) thousand people, which reflected the strength of the rapid development in Bahrain's infrastructure. <sup>(2)</sup>

Sheikh Khalifa bin Salman Al Khalifa also worked to promote the growth of the construction and real estate sector through several pieces of legislation, most notably:

A- Issuing Decree-Law No. (18) of 1983 regarding obligating landowners to pay for the land reclamation of their properties.

B- Issuing Decree-Law No. (7) of 1983 amending Decree-Law No. (8) of 1970 regarding the expropriation of land for public benefit.

C- Issuing Decree-Law No. (1) of 1987 regarding certain provisions related to the sale and lease of commercial premises.

D- Issuing Decree-Law No. (8) of 1987 regarding the regulation of ownership of floors and apartments. <sup>(1)</sup>

The 1990 census of population, buildings, and establishments shows a population increase from 350,789 in 1981 (32% of whom were non-Bahraini) to 508,037 in 1991 (36% of whom were non-Bahraini). The number of buildings in Bahrain reached 81,552, including 2,762 government and private institution buildings, approximately 6,500 commercial establishments, and nearly 62,000 residential buildings. More than 90% of these buildings were connected to electricity and water. The number of housing units increased from over 52,000 in 1981 to over 83,000 in 1991, all of which were connected to electricity, water, and sewage systems. This reflects the Bahraini government's efforts during that decade to develop these facilities throughout the country. <sup>(4)</sup>

#### 5 قطاع التجارة:

يعد قطاع التجارة حلقة متقدمة ومؤشر مهم في عملية تقدم وتطور القطاعات الاقتصادية والنشاطات المتصلة بها، إذ أن Other economic sectors included trade, which provided a safe haven for driving its economy Bahrain began to focus on and encourage the commercial sector to revitalize its local economy and link it to the international economy by establishing import and export offices and companies in Bahrain. These covered various aspects of the economy, reaching a total of (54) companies and offices encompassing diverse specializations, all aimed at stimulating the commercial sector in Bahrain Furthermore, to market oil, the largest contributor to the GDP, the Oil Marketing Unit was established as an independent department within the Ministry of Development and Industry in January 1981 in the State of Bahrain. This department was responsible for purchasing crude oil, refining it at the refinery, and then selling the refined products in the markets. <sup>(2)</sup>

#### -Domestic Trade:

Bahrain's domestic trade remained weak and of limited importance due to the small size of its local markets, which were confined to providing all the goods required by the population, from construction materials to food. Bahrain witnessed a growing trade in animals such as cows, sheep, goats, and their derivatives like meat and milk. This prompted the government to pay greater attention to livestock as a means of stimulating domestic trade, particularly in this sector In 1986, the Prime Minister of Bahrain, Sheikh Khalifa bin Salman Al Khalifa, sought to take important measures to stimulate domestic trade and the economy. These included reducing

rents for shops in the central market by 10%, lowering municipal fees for companies, shops, and commercial offices from 12.5% to 10%, and eliminating fees on foreign goods re-exported from Bahrain to encourage transit trade. <sup>(4)</sup>

The opening of the King Fahd Causeway on November 25, 1986, is considered one of the most influential factors in the development of Bahrain's foreign and domestic trade with the Gulf Cooperation Council (GCC) countries. The idea for this bridge dates back to 1965 when King Faisal bin Abdulaziz Al Saud of Saudi Arabia received Sheikh Khalifa bin Salman Al Khalifa in the Eastern Province. The latter expressed his desire to build a bridge linking Bahrain and Saudi Arabia, and King Faisal immediately agreed. A joint committee from both countries was formed to study the project. Consultants completed the bridge studies during the reign of King Khalid bin Abdulaziz, and work began in 1981 by the Dutch company Plast Nedam. It was officially opened in 1986, spanning 25 kilometers and costing \$564 million. It is considered one of the most important bridges connecting two landmasses. The construction of this bridge led to a significant shift in economic perceptions between Bahrain and Saudi Arabia, particularly regarding trade and tourism. Goods began reaching Bahrain at a lower cost, and it encouraged many Bahrainis to engage more actively in domestic trade. It has become more profitable than before. <sup>(2)</sup>

In the area of promoting trade, the Bahraini government has worked to encourage and support the private sector, establish joint ventures with the Gulf Cooperation Council (GCC) countries, and develop plans to incentivize Bahraini merchants to purchase in bulk. It has also provided all necessary facilities to enable them to shop in GCC member states. Furthermore, the Bahraini government has directed foreign companies operating in Bahrain to prioritize purchasing from the local market and has entered into bilateral agreements to protect Bahraini merchants from all forms of commercial fraud and deception. In addition, it has encouraged and supported national exports and local products, which has contributed to the improvement of domestic trade <sup>(3)</sup>. Sheikh Khalifa bin Salman Al Khalifa also worked to develop Bahrain International Airport and Mina Salman Port, and to establish and promote industrial zones. <sup>(4)</sup>

### **B- Foreign Trade:**

The importance of the trade sector in Bahrain stems from its heavy reliance on oil, as it is the primary component of exports. Oil also plays a crucial role in domestic and gross domestic product (GDP) and in the state's public revenues. At the beginning of the 1980s, Bahrain's oil production declined significantly due to falling prices, leading to a decrease in the state's oil revenues. This resulted in a drop in the trade surplus from 48 million Bahraini dinars in 1981 to 22.5 million Bahraini dinars in 1982. The trade surplus continued to decline year after year throughout the decade due to the drop in global oil prices. Consequently, the Bahraini government began reducing public spending in an attempt to counter the decline in the trade surplus and the decrease in oil revenues. <sup>(3)</sup>

Based on the changes that the Bahraini economy underwent during the period 1980-1985, the Bahraini government worked to enact several economic legislations and trade agreements in its contribution to increasing economic growth in general. It also worked to address the problem of the decline in the daily rate of oil production and the drop in its prices. Among the trade agreements concluded by the Bahraini government was the establishment of the free trade area between the member states of the Gulf Cooperation Council in 1983, which contributed significantly to increasing trade exchange between all GCC countries. This led to an increase in Bahraini exports to all GCC countries. <sup>(4)</sup>

The signing of this agreement led to an increase in Bahrain's exports to the GCC countries, particularly non-oil exports, most notably aluminum sheets. Bahraini non-oil exports reached BD 166.9 million in 1983, compared to BD 152.5 million in 1982. This represents a 10.8% increase in exports compared to the previous year, along with a significant rise in non-oil

exports. This demonstrates the positive impact of the free trade zone on the Bahraini economy in general and trade in particular. <sup>(1)</sup>

The Bahraini government continued to provide the necessary support and facilities to develop the trade sector between Bahrain and the Gulf Cooperation Council (GCC) countries, as well as other Arab and foreign countries. Despite these efforts, the value of Bahrain's imports increased year after year while the value of its exports decreased, as its exports were heavily reliant on oil. Furthermore, the economic diversification plan it had adopted was still in its early stages. In 1984, Bahrain's imports from Arab countries amounted to 26.6 million Bahraini dinars, while its exports to Arab countries totaled 18.6 million Bahraini dinars. Imports from foreign countries reached 560.5 million Bahraini dinars, while exports to foreign countries amounted to 73 million Bahraini dinars in the same year. <sup>(2)</sup>

Based on the foregoing, the Bahraini government recorded a trade deficit of 140 million Bahraini dinars in 1984, as its exports decreased by 3.5% while its imports increased by 4%. The Bahraini government worked to achieve a balance between imports and exports to address this deficit. During the period 1980-1985, Bahrain's exports were limited to oil and its derivatives and aluminum, while its imports included machinery, transport equipment, electrical appliances, foodstuffs, and live animals. On November 21, 1984, Bahrain signed a loan agreement with the Arab Fund for Economic and Social Development, whereby the Fund would provide 3 million Kuwaiti dinars to finance the Bahraini government's Gulf Cable Project, a joint submarine telecommunications project between Bahrain and Kuwait. <sup>(4)</sup>

In 1986, the Bahraini government approved the resolutions issued by the Gulf Cooperation Council (GCC) during its seventh session held in Abu Dhabi from November 2-5, 1986. These resolutions stipulated that citizens of all GCC member states would be permitted to engage in wholesale trade in any member state. Furthermore, the Emir of Bahrain, Sheikh Isa bin Salman Al Khalifa, issued a decree allowing all GCC citizens to establish economic and commercial projects, provided that these projects aligned with Bahrain's needs for economic growth. <sup>(1)</sup>

The Second Gulf Marketing Conference was held in Bahrain from March 26-28, 1988. Initiated and organized by the Founding Committee of the Gulf Marketing Association in cooperation with the Bahrain Chamber of Commerce and Industry, the conference brought together more than 200 marketing experts, consultants, and representatives from various Gulf institutions, universities, and chambers of commerce. The conference emphasized the marketing strategy for Gulf products and competition with imported goods. Its main objective was to support local products and their marketing abroad, as well as to stimulate domestic and international trade. With the recovery of oil prices in 1989, Bahraini exports grew to a value of 906.7 million Bahraini dinars. Oil exports accounted for approximately 688.2 million Bahraini dinars of this total, while non-oil exports reached approximately 218.5 million Bahraini dinars. In contrast, Bahraini imports amounted to 975 million Bahraini dinars. <sup>(3)</sup>

Bahrain's exports were primarily oil-based, and while the country made significant efforts to diversify its economy and reduce its dependence on oil, its trade remained heavily reliant on oil exports. In 1990, Bahrain's total exports reached 914.3 million Bahraini dinars, with oil exports accounting for approximately 663.8 million dinars and non-oil exports for approximately 250.4 million dinars. Due to its limited industrial and agricultural production base, Bahrain relied on global markets to meet its needs for all types of goods. These imports were financed by oil revenues to ensure the availability of essential goods and services for Bahraini citizens. <sup>(1)</sup>

By the end of this decade, Bahrain's foreign trade volume had reached more than (1.7) billion Bahraini dinars. Bahrain's main import markets were Britain, the United States, Japan, Germany, Australia, France, the Netherlands, India, Italy, Singapore, Taiwan, Hong Kong, and

Saudi Arabia. Its exports were to the Gulf Cooperation Council countries, Japan, India, South Korea, Singapore, the Philippines, and Taiwan. <sup>(2)</sup>.

### **6-Tourism Sector:**

Sheikh Khalifa bin Salman Al Khalifa gave special importance to investment in the tourism sector, capitalizing on Bahrain's geographical location, the culture of its people, and its wealth of ancient civilizations. This, coupled with the urban development Bahrain was witnessing and the robust infrastructure it provided, allowed the Prime Minister of Bahrain, Sheikh Khalifa bin Salman Al Khalifa, to leverage these combined capabilities to support the tourism sector. He inaugurated four tourist facilities: Beit Al Jasra in 1986, the Bahrain National Museum in 1988, the Ahmed Al Fateh Center in 1988, and the House of the Holy Quran in 1990. The opening of the King Fahd Causeway in 1986 also played a significant role in boosting tourism in Bahrain, as it saw more than one million travelers cross annually. This led to an increase in the contribution of the trade, hotel, and restaurant sector to the Bahraini economy from 10% in 1975 to 11.2% in 1990. Furthermore, the influx of Gulf investments into Bahrain for the establishment of tourist facilities, including hotels, restaurants, and commercial markets, supported Bahrain's openness and the diversification of hotel categories. It offers options that suit the income of all expatriate families, and a variety of tourist attractions and destinations. <sup>(1)</sup>.

In 1985, Sheikh Khalifa bin Salman Al Khalifa obtained a special royal decree from the Emir of Bahrain, Sheikh Isa bin Salman Al Khalifa, establishing the Supreme Council for Tourism. In 1986, a decree was issued to regulate public tourism in Bahrain. Bahraini participation in international tourism conferences also increased, and Bahrain hosted some of them. <sup>(1)</sup>.

### **Conclusion**

The research concluded the following:

1. The Arabian Gulf region has become an unattractive and unsuitable environment for investment. This is attributed to the wars the region has witnessed, including the Iran-Iraq War (1980-1988)
2. The Prime Minister of Bahrain, Sheikh Khalifa bin Salman Al Khalifa, worked to broaden the base of the Bahraini economy by focusing on non-oil sectors, particularly the commercial, industrial, and service sectors, among others.
3. He transformed Bahrain into a regional financial and business hub to reduce dependence on oil.
4. Sheikh Khalifa bin Salman Al Khalifa encouraged Gulf, Arab, and foreign investments by developing infrastructure and providing the necessary facilities to make Bahrain a center for investment and finance.

### **footnotes**

---

<sup>(1)</sup> Fatima Saad Al-Din, Press interview with Mr. Yousef Al-Shirawi, Minister of Industry and Development in the State of Bahrain, on industrial affairs, *Gulf and Arabian Peninsula Studies Journal*, Issue/28, Arabian Gulf Studies Center, University of Basra, 1981, pp. 180-182.

<sup>(2)</sup> Omar Al-Hassan and others, Khalifa bin Salman Al Khalifa, *A Leadership That Made History*, Gulf Center for Strategic Studies, Cairo, 2016, p. 126.

<sup>(3)</sup> Bishara Khader, *Europe and the Arab Gulf Countries: Distant Partners*, Center for Arab Unity Studies, Beirut, 1995, p. 82.

<sup>(4)</sup> Al-Siyasa Kuwaiti Newspaper, Issue 6594, December 15, 1986, pp. 21-22.

- 
- (2) Omar Al-Hassan and others, the previous source, p. 127.
- (3) Journal of Gulf and Arabian Peninsula Studies ((Diaries)), Issue 50, Arabian Gulf Studies Center, University of Basra, April 1987, p. 347.
- (1) Naif Ali Obaid, The Cooperation Council for the Arab Gulf States: From Cooperation to Integration, 2nd ed., Center for Arab Unity Studies, Beirut, 2002, pp. 219–220.
- (2) Omar Al-Hassan and others, the previous source, pp. 127–128.
- (3) The same source, p. 129.
- (4) National Accounts, Ministry of Finance and National Economy, 1977–1992.
- (1) Omar Al-Hassan and others, the previous source, p. 129.
- (2) Omar Al-Hassan and others, leadership that made history, p. 130.
- (3) Khalaf Abdullah Danouk Hassan, The Impact of Oil on Economic and Social Transformations in Bahrain 1981–1999, Master's Thesis (Unpublished), College of Education for Human Sciences, Tikrit University, 2019, p. 70.
- (3) Omar Al-Hassan and others, the previous source, p. 130.
- (4) Ahmed Abdul Wahab Mahmoud Al-Jumah, Formal Education and its Impact on Political, Economic and Social Transformations in Bahrain 1945–2002, PhD Thesis (Unpublished), College of Arts, University of Mosul, 2006, p. 21.
- (5) Hassan Ibrahim Makki, Symposium on Economic Integration of the Gulf Cooperation Council Countries, Journal of Gulf and Arabian Peninsula Studies, Issue/37, Center for Arab Gulf Studies, University of Basra, 1983, p. 206.
- (4) Emirates Center for Strategic Studies and Research, Oil and Gas in the Arabian Gulf: Towards Ensuring Economic Security, n.d., p. 47; Michael Ross, The Oil Curse: How Oil Wealth Affects the Growth of the United Nations, translated by: Muhammad Haitham Nashwati, Arab and International Relations Forum, Doha, Qatar, 2014, pp. 95–100.
- (2) Mashdan Wahiba, The Impact of Oil Price Changes on the Arab Economy During the Period 1973–2003, Master's Thesis (Unpublished), Institute of Economic Sciences and Management Sciences, University of Algiers, 2005, pp. 103–104.
- (2) Rees Gerges, Mechanisms for Supporting the Competitiveness of the Industrial Sector in the Gulf Cooperation Council Countries, n–m, n–t, p. 4.
- (3) Bahraini Ministry of Development, Guide to Industrial Establishments in Bahrain, 1991, pp. 9–10.
- (4) The same source, pp. 10–11.
- (3) Ahmed Abdel Wahab Mahmoud Al-Jumah, the previous source, p. 237.
- (5) Al-Siyasa Kuwaiti Newspaper, Issue 6594, previous source, pp. 21–22.
- (3) Nader Fergany, Migration to Oil, 3rd ed., Center for Arab Unity Studies, Beirut, 1984, pp. 183–187.

- 
- (5) Journal of Gulf and Arabian Peninsula Studies ((Diaries)), Issue 29, Arabian Gulf Studies Center, University of Basra, 1989, p. 374.
- (2) Muhammad Ali, Headache, Al-Muhammadi, previous source, p. 278.
- (5)(5) Statistics of the Bahraini Ministry of Finance, National Accounts, 1977–1992.
- (1) Hejers, Zakaria Ahmed, The prospect of economic development in Bahrain , Durham E-Theses, 1998, p 216–220.
- (2) Haneen Raad Faza, Isa bin Salman Al Khalifa and his political role in Bahrain until 1999, Master's thesis (unpublished), College of Education, Al-Mustansiriya University, 2022, p. 74
- (1) Omar Al-Hassan and others, the previous source, p. 135.
- (4) Omar Al-Hassan and others, Leadership that made history, pp. 135–136.
- (2) Bahraini Ministry of Information, Development and Future Prospects, Bahrain, p. 23.
- (4) Al-Siyada Kuwaiti Newspaper, Issue 6572, previous source, p. 8.
- (2) Jamal Zakaria Qasim, The Arab Gulf States in the Post-Independence Era, From the British Withdrawal to the Invasion and Liberation of Kuwait 1971–1991, Arab Thought House, Cairo, 2001, pp. 308–309.
- (4) Omar Al-Hassan and others, leadership that made history, p. 137.
- (3) Hassan Ibrahim Makki, the previous source, pp. 215–216.
- (4) Bahrain News Agency, Gulf Economic Integration: From Free Trade to Common Market, December 5, 2016, pp. 1–2.
- (1) Khalaf Abdullah Danouk Hassan, previous source, p. 77.
- (2) Al-Siyasa Kuwaiti Newspaper, Issue 6594, previous source, pp. 21–22; Gulf and Arabian Peninsula Studies Journal ((Diaries)), Issue/ 44, previous source, pp. 260–261.
- (4) Khalaf Abdullah Danouk Hassan, previous source, p. 79.
- (1) Taj Al-Din Jaafar Al-Ta'i, Iran's Strategy towards the Arab Gulf States, Dar Raslan Foundation for Printing, Publishing and Distribution, Damascus, 2013, p. 69; Journal of Gulf and Arabian Peninsula Studies ((Diaries)), Issue/ 56, Center for Arab Gulf Studies, University of Basra, 1988, pp. 234–235.
- (3) Khaled bin Mohammed Al-Qasimi and Wajih Jamil Al-Ba'ini, the previous source, p. 275.
- (1) Nouri Abdul Jabbar, Economic and Regional Blocs and Their Impact on the Economic Structure with Reference to the Gulf Cooperation Council Countries for the Period 1990–2003, Master's Thesis (Unpublished), Higher Institute for Political and International Studies, Al-Mustansiriya University, 2005, pp. 175–179.
- (2) Khalid bin Muhammad Al-Qasimi, the previous source, p. 94.
- (1) Omar Al-Hassan and others, the previous source, p. 138.
- (1) Tawfiq Al-Hamad, A Man and the Rise of a State, p. 203.

1. Abdul Ali Al-Khaffaf, "Bahrain: A Study of Population Growth and Spatial Distribution," \*Arabian Gulf Journal\*, Vol. 8, Nos. 1-2, Arabian Gulf Studies Center, University of Basra, n.d.
2. Abdul Ghaffar Farouk Abdul Ghaffar, "Research Paper on 'The Decline in Oil Prices and Economic Diversification in the GCC Countries'," 2015.
3. Abdul Jabbar Abdul Halifi, "The Banking System in Bahrain: Its Structure, Development, and Recent Advances," \*Arabian Gulf Journal\*, Vol. 20, No. 3, Arabian Gulf Studies Center, University of Basra, 1988.
4. Ahmed Abdel Wahab Mahmoud Al-Jumah, Formal Education and its Impact on Political, Economic, and Social Transformations in Bahrain 1945-2002, PhD dissertation (unpublished), College of Arts, University of Mosul, 2006.
5. Al-Siyasa Newspaper, Kuwait, Issue 6594, December 15, 1986.
6. Al-Wasat Newspaper, Bahrain, Oil Discoveries Have Brought About a Comprehensive Transformation in the Gulf States, Issue 863, Monday, December 2004.
7. Arabian Gulf Journal, The Establishment of the Gulf Aluminium Rolling Company, Volume 19, Issue 1, Arabian Gulf Studies Center, University of Basra, 1982.
8. Bishara Khader, Europe and the Arab Gulf States: Distant Partners, Center for Arab Unity Studies, Beirut, 1995.
9. Emirates Center for Strategic Studies and Research, Oil and Gas in the Arabian Gulf: Towards Ensuring Economic Security, n.d.
10. Fatima Saad Al-Din, Press Interview with Mr. Yousef Al-Shirawi, Minister of Industry and Development in the State of Bahrain, on Industrial Affairs, Gulf and Arabian Peninsula Studies Journal, Issue 28, Arabian Gulf Studies Center, University of Basra, 1981.
11. Gulf and Arabian Peninsula Studies Journal (Diaries), Issue 29, Arabian Gulf Studies Center, University of Basra, 1989.
12. Hanin Raad Faza, Isa bin Salman Al Khalifa and His Political Role in Bahrain until 1999, Master's Thesis (unpublished), College of Education, Al-Mustansiriyah University, 2022.
13. Hassan Ibrahim Makki, Symposium on Economic Integration of the Gulf Cooperation Council States, Journal of Gulf and Arabian Peninsula Studies, Issue 37, Center for Arabian Gulf Studies, University of Basra, 1983.
14. Hejers, Zakaria Ahmed, The prospect of economic development in Bahrain, Durham E-Theses, 1998, p 216-220.
15. Huda Dawood Najm Al-Saad, \*Spatial Population Change in Bahrain from 1971-1991\*, unpublished Master's thesis, College of Education, University of Basra, 2001.
16. Hussein Abdullah, Arab Oil in the Foreseeable Future, Journal of Strategic Studies, Issue 14, Emirates Center for Strategic Studies and Research, 1998.
17. Jamal Zakaria Qasim, The Arab Gulf States in the Post-Independence Era: From British Withdrawal to the Invasion and Liberation of Kuwait 1971-1991, Dar Al-Fikr Al-Arabi, Cairo, 2001.
18. John Pollock, The Arabian Gulf, translated by Adham Musa Al-Atawneh, London, 1988.
19. Journal of Gulf and Arabian Peninsula Studies (Diaries), Issue 50, Arabian Gulf Studies Center, University of Basra, April 1987.
20. Journal of Gulf and Arabian Peninsula Studies (Diaries), Issue 56, Arabian Gulf Studies Center, University of Basra, 1988.
21. Khalaf Abdullah Danouk Hassan, The Impact of Oil on Economic and Social Transformations in Bahrain 1981-1999, Master's Thesis (unpublished), College of Education for Humanities, Tikrit University, 2019.
22. Khalid bin Mohammed Al-Qasimi and Wajih Jamil Al-Ba'ini, Bahrain: Past, Present, and Future, College of Historical Studies, University of Basra.
23. Mahmoud Tawfiq, The Geography of Economic Activity in Bahrain, Kuwait Geographical Society, 1990.
24. Mashdan Wahiba, The Impact of Oil Price Fluctuations on the Arab Economy During the Period 1973-2003, Master's Thesis (unpublished), Institute of Economic Sciences and Management, University of Algiers, 2005.
25. Michael Ross, The Oil Curse: How Oil Wealth Affects the Growth of the United Nations, translated by Muhammad Haitham Nashwati, Arab and International Relations Forum, Doha, Qatar, 2014.
26. Mithaq Khairallah Jalloud Mansour Al-Qaraghoul, Gulf-Turkish Relations 1973-1990, Master's Thesis (unpublished), College of Education, University of Mosul, 2006.
27. Muhammad Ali Sadaa Haraj Al-Muhammadi, Economic Relations between the United States and the Gulf Cooperation Council 1981-1993, PhD Dissertation (unpublished), College of Arts, University of Anbar.
28. Muhammad Labib Shuqair, Arab Economic Unity: Its Experiences and Expectations, Vol. 2, Center for Arab Unity Studies, Beirut, 1986.
29. Nader Farjani, Migration to Oil, 3rd ed., Center for Arab Unity Studies, Beirut, 1984.
30. Nayef Ali Obeid, The Gulf Cooperation Council: From Cooperation to Integration, 2nd ed., Center for Arab Unity Studies, Beirut, 2002.
31. Nikolay Hovhannissan, \*History of the Arab States: The Era of Independence and Sovereignty 1981-2005\*, translated by Alexander Kamshishan, Vol. 3, n.d.
32. Nouri Abdul Jabbar, Economic and Regional Blocs and Their Impact on the Economic Structure with Reference to the Gulf Cooperation Council Countries for the Period 1990-2003, Master's Thesis (unpublished), Higher Institute for Political and International Studies, Al-Mustansiriyah University, 2005.
33. Omar Al-Hassan et al., Khalifa bin Salman Al Khalifa: A Leadership That Made History, Gulf Center for Strategic Studies, Cairo, 2016.
34. Redha Abdul Jabbar Salman Al-Shammari, The Strategic Importance of Arab Oil: A Study in Political Geography, Doctoral Dissertation (unpublished), College of Arts, University of Baghdad, 2003.
35. Redha Abdul Jabbar Salman Al-Shammari, The Strategic Importance of Arab Oil: A Study in Political Geography, Doctoral Dissertation (unpublished), College of Arts, University of Baghdad, 2003.
36. Taj Al-Din Jaafar Al-Ta'i, Iran's Strategy towards the Arab Gulf States, Dar Ruslan Foundation for Printing, Publishing, and Distribution, Damascus.
37. Tawfiq Al-Hamad, Khalifa bin Salman: A Man and the Rise of a State, 2nd ed., Center for Scientific Creativity, Bahrain, 1996.
38. Waris Jirjis, \*Mechanisms for Supporting the.