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Gulf Countries Continue To Ease Restrictions On Foreign Investments

Gulf countries are gradually lifting restrictions on foreign money, seeking to diversify their economies and attract FDIs following a slump in oil prices over the last few years.

While these economies enjoyed years of high growth thanks to the petrodollars, controls on foreign investments such as a limit on foreign ownership, requirement of local partners or reserving some sectors for the citizens.

However, this is changing as the governments become more open to investments. Recently, Bahrain revealed that foreign companies will be allowed to invest in oil and gas extraction.

“The cabinet approved opening the commercial activity "Extraction of oil and natural gas within the Kingdom of Bahrain" for foreign investment by companies with 100% foreign capital,” state news agency BNA reported.

Under the new resolution, companies with a concession contract from the competent ministry will benefit from the move after the approval of the Cabinet, a memorandum submitted for this purpose by the Minister of Industry, Commerce and Tourism said.

Bahrain is not the first Gulf state to pursue foreign investments. Saudi Arabia and the UAE have also eased their restrictions over the last couple of years. In May 2018, the UAE said that the global investors' ownership is expected to reach 100% by the end of the year.

The country has also adopted a new system of visas for investors and professional talents providing them with a long-term visa for up to 10 years, a step to attract investors and competencies to the UAE and thus increasing the country's economic competitiveness.

Meanwhile, Saudi Arabia further expanded foreign investors’ access to its capital market from January 2018 after it amended rules governing the Kingdom's Qualified Foreign Investor (QFI) framework. That aims to ease the qualification requirements for qualified foreign investors ahead of Aramco’s IPO.

According to The Wall Street Journal, Saudi Arabia is also working to loosen tourism restrictions this year for foreign visitors to help diversify the economy of the kingdom.

A recent report by IMF showed that the GCC countries are open to trade, but much less so to foreign direct investment (FDI). GCC foreign trade has been expanding robustly, but FDI inflows have stalled in recent years despite policy efforts taken to reduce administrative barriers and provide incentives to attract FDI.

FDI inflows into the region have been skewed toward specific sectors including real estate, petroleum, and chemicals and concentrated in two GCC countries; UAE and Saudi Arabia, the IMF said.

Moving forward, the World Bank expects economic growth for the GCC region to strengthen gradually in the medium term to 2.7% by 2020 as high energy prices and rising government spending lift output and sentiment.

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