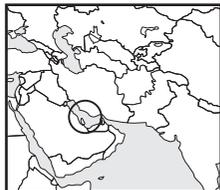


# The impact of globalization on Bahraini people



The Bahrain's economy is growing, along with per capita income. However, along with the increasing numbers of millionaires the middle class is shrinking and the lower class is becoming impoverished. There are increasing confrontations and tension between the impoverished groups and security forces. A strategy to shield society from the negative impacts of globalization is urgently needed.

## Social Watch Bahrain<sup>1</sup>

Bahrain traditionally has had an open economy for trade, investment and exchange. Since its independence in 1971, the country has been a financial hub for international banks and financial institutions, joint Gulf Cooperation Council (GCC) ventures and a transit spot for trade and commodities. It has been a member of the World Trade Organisation since 1997, removing barriers to trade and investment and the movement of labour. Bahrain signed a Free Trade Agreement (FTA) with the US which facilitates trade, investment and labour movement between the two countries. As a member of the GCC, Bahrain is negotiating with the European Union (EU) regarding a FTA and recently hosted an ASEAN-GCC conference which debated the prospects of concluding an FTA between the two economic groups.

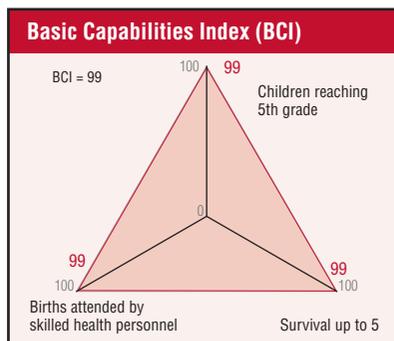
Like many other countries, Bahrain has been influenced positively and negatively by globalization. This report will concentrate on the impact of globalization on the well-being of Bahraini residents and consider this from a number of angles:

### Liberalization of the economy

The Government has been steadily pursuing economic liberalization, which means less and less state involvement in running the economy. This has inevitably led to the State abandoning certain essential services it previously rendered to its citizens. It has also led to the opening of the market to competition between local and foreign companies. Furthermore, the reduction of restrictions on foreign residents has resulted in their occupying jobs traditionally limited to Bahrainis, such as legal counselors and auditors.

### Privatization

In attempting to maintain pace with globalization and to be able to compete in an open market, the Government has resorted to privatizing a number of state institutions and services, including electricity and public transport. In addition, it has increasingly opened other sectors to private control, such as education, health care services,



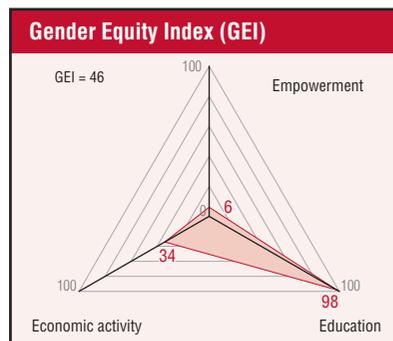
municipal services, administration of ports and air transportation.

### Housing

The Government has increasingly lifted restrictions on the acquisition of real estate by foreign residents, especially for GCC citizens, which has led to a rise in ownership of land and property in residential areas. Bahrainis now find themselves at a disadvantage in terms of purchasing power compared to other GCC citizens. This has led to an acute housing crisis: the demand for state-subsidized housing is surpassing supply and there is currently a backlog of some 60,000 applications. As a result, many families have been obliged to move back into extended family accommodations, many of them congested and poorly equipped to deal with overcrowding.

### Employment

Due to the lax policy control on the flow of foreign workers, especially cheap labour, Bahraini job seekers are in a weak position when competing for jobs that require specific educational backgrounds and skills. Foreign workers are also more willing to accept lower salaries and tougher working conditions. So, despite increased employment opportunities generated by a growing economy, unemployment is growing among Bahraini citizens, especially among women and those whose educational qualifications (e.g., liberal arts or sociology degrees) are not well matched with the new jobs.



### Inflation

The inflation rate has increased steadily, exceeding 7% annually for the last few years. There has been no substantial concurrent increase in salaries, especially in the public sector. In view of this, Parliament agreed in December 2008 to a BD50 (USD 133) allowance/bonus to Bahraini families annually, for the next two years. However, this does little to alleviate the impact of inflation for most workers, including the low-income foreign residents who are in the same situation, with wages failing to keep pace with inflation. The disparity between a minority with very high incomes and a majority with very low incomes is increasing. There are some Bahraini families who are living on BD 120 per month (USD 319). Although the Government denies that this kind of relative poverty exists in Bahrain, it has been identified by independent researchers as well as the United Nations Development Programme (UNDP).<sup>2</sup>

### Changing social fabric

The steady increase in foreign workers, especially from Asia, over the last decade has resulted in the growth of the expatriate population from 37% of the total in 2001 to 50% in 2007, altering the fabric of society. Foreign workers tend to live in work camps, isolated from indigenous communities, in derelict areas of town and in small groups adjacent to indigenous communities. There is, in general, little integration of these workers into the public arena, in social activities and in NGOs. Moreover, the majority of these workers live alone, with no family, which

<sup>1</sup> Bahrain Social Watch Coalition is composed of Bahrain Transparency, Bahrain Human Rights Society, Bahraini Women Renaissance Society, Awal Women Society, Sociologists Society Best.

<sup>2</sup> UNDP's Human Development Report 2007-2008 gives Bahrain 0.88 points on the Human Development Index, despite its impressive per capita income of 20,800.

is viewed as a departure from the social norm and has caused friction between the two communities, especially those adjacent to each other. In general, the lower standard of living and lack of social life among these workers generates an environment conducive to crime, especially sexual assault, burglary, theft and physical abuse/assaults. Poor living conditions, mistreatment from employers, such as the withholding of payment, often for months, has led many foreign workers to suicide, since they find themselves in debt and unable to send money back to families in their countries of origin.

### **Conclusion**

Despite the fact that the Bahraini economy is booming with a high growth rate and increasing per capita income, the benefits of globalization have not extended to the population as a whole. There are increasing numbers of millionaires, and a shrinking middle class and impoverished lower class. The country has been witnessing repeated confrontations and tension between impoverished communities and security forces, especially in the villages, which is why the World Bank now ranks Bahrain low in political stability.<sup>3</sup> There is need for a strategy to shield society from the negative impacts of globalization. ■

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<sup>3</sup> World Bank, *Governance Matters 2009: Worldwide Governance Indicators, 1996-2008* shows that Bahrain's ranking rose above .50 only in 2003, after which it declined steadily until 2007, improving only slightly in 2008 to about .36. Available at: <[info.worldbank.org/governance/wg/pdf](http://info.worldbank.org/governance/wg/pdf)>.