

BAHRAIN

TRADE SUMMARY

The U.S. goods trade balance with Bahrain went from a deficit of \$33 million in 2007, to a surplus of \$291 million in 2008. U.S. exports in 2008 were \$830 million, up 40.3 percent from the previous year. Corresponding U.S. imports from Bahrain were \$539 million, down 13.7 percent. Bahrain is currently the 82nd largest export market for U.S. goods.

The stock of U.S. foreign direct investment (FDI) in Bahrain was \$60 million in 2007 (latest data available), down from \$138 million in 2006.

IMPORT POLICIES

Upon entry into force of the United States-Bahrain Free Trade Agreement (FTA) in August 2006, 100 percent of bilateral trade in consumer and industrial products became duty free. Bahrain will phase out tariffs on the remaining handful of agricultural product lines by 2015. Textiles and apparel trade is duty free, promoting new opportunities for U.S. and Bahraini fiber, yarn, fabric and apparel manufacturing.

As a member of the Gulf Cooperation Council (GCC), Bahrain applies the GCC common external tariff of 5 percent for most non-U.S. products, with a limited number of GCC-approved country-specific exceptions. Bahrain's exceptions include alcohol (125 percent) and tobacco (100 percent). Some 432 food and medical items are exempted from customs duties entirely.

STANDARDS, TESTING, LABELING, AND CERTIFICATION

Standards

Bahrain generally follows international or GCC standards, and the development of standards in Bahrain is based on the following principles: no unique Bahraini standard is to be developed if there is an identical draft GCC standard in existence or in the process of being developed; and developing new Bahraini standards must not create trade barriers. As part of the GCC Customs Union, the six Member States are working toward unifying their standards and conformity assessment systems. However, each Member State currently continues to apply either its own standard or a GCC standard, resulting in a complicated situation for U.S. businesses. GCC Member States do not consistently send notification of new measures to WTO Members and the WTO Committee on Technical Barriers to Trade (TBT) or allow WTO Members an opportunity to provide comments.

In May 2008, the GCC Standards Committee approved two new standards for the labeling and expiration periods of food products. The new GCC standards eliminate the long standing requirement that at least one-half of a product's shelf life be valid when a product reaches a port of entry in GCC Member States. Officials from the Gulf Standards Organization (GSO) have stated that GCC Member States will accept use of the terms "best by" and "best before" as meeting the date labeling requirement for shelf-stable products. The United States has requested written confirmation of this situation.

The total number of GCC standards adopted as Bahraini standards currently stands at 1,020. Bahrain mandates compliance with 320 of those standards, whereas the rest remain voluntary. There are also approximately 434 draft GCC standards under development, including a revised vehicle identification number location requirement that has elicited concern from at least one U.S. manufacturer; the Bahraini

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Ministry of Industry and Commerce has been responsive and has pledged to carefully weigh these concerns.

Conformity Assessment

The GCC Standards Committee is currently developing a conformity assessment scheme to be adopted ultimately by each of the six Member States and has set 2010 as a deadline for full implementation by each Member State. The United States is working to establish a dialogue between U.S. and GCC technical experts to discuss this proposed scheme with the goal of helping to ensure that it is developed, adopted, and applied in accordance with WTO rules.

Sanitary and Phytosanitary Measures

In May 2007, Bahrain notified WTO Members of proposed procedures meant to harmonize food safety import requirements for all GCC Member States. The United States and other WTO Members provided comments outlining significant concerns with the procedures, which, as currently drafted, do not appear to have a clear scientific basis and would substantially disrupt food exports to GCC Member States from their trading partners. The GCC Member States indicate that they are developing a response to these comments, and the United States has established a dialogue between U.S. and GCC technical experts to discuss the procedures and potential amendments to address the concerns raised.

GOVERNMENT PROCUREMENT

The Tender Board plays an important role in ensuring a transparent bidding process, which the government of Bahrain recognizes as vital to attracting foreign investment. The Tender Board awarded tenders worth \$874 million in 2007, an increase of 26 percent over 2006. The FTA requires procuring entities in Bahrain to conduct procurements covered by the FTA in a fair, transparent and nondiscriminatory manner.

In 2002, Bahrain implemented a new government procurement law to ensure transparency and reduce bureaucracy in government tenders and purchases. The law specifies procurements on which international suppliers are allowed to bid. The Tender Board is chaired by a Minister of State who oversees all tenders and purchases with a value of BD10,000 (\$26,525) or more.

Bahrain is not a signatory to the WTO Agreement on Government Procurement, but it became an observer to the WTO Committee on Government Procurement in December 2008.

INTELLECTUAL PROPERTY RIGHTS (IPR) PROTECTION

In the FTA, Bahrain committed to provide strong IPR protection and enforcement. Bahrain passed IPR legislation and regulations to implement these commitments in the areas of copyrights, trademarks, patents, and enforcement, among others.

As part of the GCC Customs Union, the six Member States are working toward unifying their IP regimes. In this respect, the GCC is preparing a draft common trademark law. All six Member States are expected to adopt this law as national legislation in order to implement it. The United States has outlined specific concerns with the trademark law and has established a dialogue between U.S. and GCC technical experts to ensure that the law complies with the Member States' international and bilateral obligations.

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INVESTMENT BARRIERS

Bahrain permits 100 percent foreign ownership of new industrial entities and the establishment of representative offices or branches of foreign companies without local sponsors. Wholly foreign owned companies may be established for regional distribution services and may operate within the domestic market as long as they do not exclusively pursue domestic commercial sales. Foreign companies established before 1975 may be exempt from this rule under special circumstances.

Starting in January 2001, foreign firms and GCC nationals may own land in Bahrain. Non-GCC nationals may own high-rise commercial and residential properties, as well as property in tourism, banking, financial and health projects, and training centers, in specific geographic areas.

In 2006, the Cabinet passed an edict opening ownership of "free hold" properties now being constructed throughout the Kingdom. The edict was specific that all nationalities may own commercial or investment properties. Only high-rise residences, and a few specific residential properties in large projects, may be owned free hold.

In an attempt to streamline licensing and approval procedures, the Ministry of Commerce opened the Bahrain Investors Center (BIC) in October 2004 for both local and foreign companies seeking to register in Bahrain. According to Ministry of Commerce officials, 80 percent of all licenses can be processed and verified within approximately 24 hours, an additional 10 percent within five working days, and the remaining 10 percent, involved in environmental, power, health and other important utilities, and services, are processed separately and issued on a case-by-case basis.

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