

BAHRAIN

TRADE SUMMARY

The U.S. goods trade deficit with Bahrain was \$142 million in 2006, an increase of \$61 million from \$81 million in 2005. U.S. exports in 2006 were \$491 million, up 39.9 percent from the previous year. Corresponding U.S. imports from Bahrain were \$632 million, up 46.5 percent. Bahrain is currently the 85th largest export market for U.S. goods.

The stock of U.S. foreign direct investment (FDI) in Bahrain in 2005 was \$194 million, up from \$180 million in 2004.

FREE TRADE AGREEMENT

Upon the August 2006 implementation of the United States-Bahrain Free Trade Agreement (FTA), 100 percent of bilateral trade in consumer and industrial products became duty-free immediately. Bahrain will phase out tariffs on the remaining handful of agricultural product lines within ten years. Textiles and apparel trade is duty-free, promoting new opportunities for U.S. and Bahraini fiber, yarn, fabric and apparel manufacturing. The FTA requires qualifying textile and apparel products to contain either U.S. or Bahraini yarn and fabric and contains a temporary transitional allowance for textiles and apparel that do not meet these requirements in order that U.S. and Bahraini producers can develop and expand business contacts. The FTA requires transparency and efficiency in customs administration, including publication of laws and regulations on the Internet and procedural certainty and fairness. Both governments agree to share information to combat illegal trans-shipment of goods and special customs cooperation measures to prevent fraud in the textile and apparel sector. In addition, the FTA requires customs procedures designed to facilitate the rapid clearance through customs of express delivery shipments.

IMPORT POLICIES

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 to the common external tariff include alcohol (125 percent) and tobacco (100 percent). Some 421 food and medical items are exempted from customs duties entirely.

STANDARDS, TESTING, LABELING AND CERTIFICATION

As part of the GCC Customs Union, member countries are working toward unifying their standards and conformity assessment systems and have progressed considerably toward the goal of a unified food standard. Negotiations targeting adoption of a unified food standard during 2007 are under way. Each country currently applies either its own standard or a GCC standard.

Bahrain generally uses international or GCC standards, and the development of standards in Bahrain is based on the following principles: (a) no unique Bahraini standard is to be developed if there is an identical draft GCC standard in the process of being developed; and (b) developing new Bahraini standards must not create trade barriers. The total number of GCC standards adopted as Bahraini standards currently stands at 1020, of which 320 are mandatory and 700 are voluntary. There are also approximately 434 draft GCC standards under development, including a revised vehicle identification

FOREIGN TRADE BARRIERS

number location requirement that has elicited expressions of concern from at least one U.S. manufacturer. The Ministry of Industry and Commerce Undersecretariat for Standards and Consumer Protection has pledged to weigh carefully these concerns ahead of a decision. In light of GCC integration activity, Bahrain has decided to require date-of-production labeling on all food products.

GOVERNMENT PROCUREMENT

In October 2002, Bahrain implemented a new government procurement law to ensure transparency and reduce bureaucracy in government procurement. Under that law, specified procurements are eligible for bid by international suppliers. A Tender Board is chaired by a Minister of State who oversees all tenders and purchases with a value of BD 10,000 (\$26,525) or more.

The Tender Board was an important measure toward ensuring a transparent bidding process, which the government of Bahrain recognized as vital to attracting foreign investment. The Tender Board awarded tenders worth \$528.7 million in 2005, an increase of 14.3 percent compared to the previous year. With FTA implementation, Bahrain is required to conduct procurements covered by the FTA in a fair, transparent and non-discriminatory manner.

INTELLECTUAL PROPERTY RIGHTS (IPR) PROTECTION

The FTA commits Bahrain to world-class standards for the protection and enforcement of IPR. Bahrain joined the World Intellectual Property Organization (WIPO) Copyright Treaty and the WIPO Performances and Phonograms Treaty (WPPT), effective December 15, 2005. The government of Bahrain launched a significant public awareness campaign in June 2006 equating piracy with theft, and enlisted Islamic religious officials to educate the public on the protection of intellectual property rights. The Arabian Anti-Piracy Association has recognized Bahrain's many efforts to protect intellectual property rights, but notes that software piracy and certain forms of pay television signal theft remain a concern.

In order to implement its FTA obligations, Bahrain passed several key pieces of IPR legislation. These laws improve protections and criminalize various IPR violations, including copyright, trademark and patent infringement. Implementing regulations supporting these laws have also been enacted.

The GCC announced plans to establish a trademark office in Riyadh, Saudi Arabia that will be tasked with strengthening trademark protection.

SERVICES BARRIERS

Financial Sector

Bahrain established the Central Bank of Bahrain (CBB) in September 2006 to succeed the Bahrain Monetary Agency (BMA). The CBB is an operationally independent government entity and now enjoys an expanded range of enforcement powers and bears regulatory authority over the financial services industry, including the insurance and capital markets. Bahrain's financial sector contributed \$2.6 billion to the economy in 2005, representing 27.6 percent of GDP, up from 24.1 percent in 2004.

FOREIGN TRADE BARRIERS

Telecommunications

The telecommunications sector in Bahrain has been liberalized since July 2004. There are currently two mobile providers in Bahrain: Batelco and Vodafone. In 2006, the Telecommunications Regulatory Authority (TRA) announced that it would consider opening a bid for a third license provider and commissioned a study and consumer survey to evaluate market demand. The TRA is currently entertaining bids to provide national fixed wireless services on the 3.5GHz spectrum. In August 2005, the TRA declared that any party interested in operating a WiFi hotspot must obtain a temporary frequency license, available for a period of three months (all other telecommunications licenses in Bahrain are valid for 15 years).

INVESTMENT BARRIERS

Bahrain permits 100 percent foreign ownership of new firms and the establishment of representative offices or branches of foreign companies without local sponsors. Wholly foreign-owned companies may be set up 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 certain circumstances.

Foreign firms and GCC nationals have been permitted to own land in Bahrain since January 2001. Non-GCC nationals may now own high-rise commercial and residential properties, as well as property related to tourism, banking, financial and health projects, and training centers, in specific geographic areas.

In an effort 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, and an additional 10 percent can be processed and verified within five working days. The remaining 10 percent of licenses – related to environmental, power, health, and other important utilities and services – are processed separately and issued on a case-by-case basis.