

BAHRAIN

TRADE SUMMARY

The U.S. goods trade deficit with Bahrain was \$81 million in 2005, a decrease of \$22.6 million from \$103 million in 2004. U.S. exports in 2005 were \$351 million, up 16.2 percent from the previous year. Corresponding U.S. imports from Bahrain were \$432 million, up 6.5 percent. Bahrain is currently the 88th largest export market for U.S. goods.

The stock of U.S. foreign direct investment (FDI) in Bahrain in 2004 was \$176 million, up from \$141 million in 2003.

IMPORT POLICIES

As a member of the Gulf Cooperation Council (GCC), Bahrain applies the GCC common external tariff of five percent for most 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). Four hundred seventeen food and medical items are exempted from customs duties entirely.

Upon entry into force of the U.S.-Bahrain Free Trade Agreement (FTA), 100 percent of bilateral trade in consumer and industrial products will become duty-free immediately. Bahrain will phase out tariffs on the remaining handful of products within ten years. On agricultural products, Bahrain will provide immediate duty-free access for U.S. agricultural exports in 98 percent of agricultural tariff lines. Bahrain will phase out tariffs on the remaining products within ten years.

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 – originally targeted for adoption by 2006. However, each country currently applies either its own standard or a GCC standard, which can cause confusion for U.S. exporters.

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, out of which 320 are mandatory and 700 are voluntary. There are also approximately 434 draft GCC standards under development.

FOREIGN TRADE BARRIERS

Bahrain has replaced its product shelf-life requirements; a major impediment to U.S. processed food exports to the Gulf region, with international (Codex) standards.

GOVERNMENT PROCUREMENT

In October 2002, Bahrain implemented a new government procurement law to ensure transparency and reduce bureaucracy and corruption in government tenders and purchases. Under the new 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 BD10, 000 (\$26,525) or more.

The Tender Board is an important measure toward ensuring a transparent bidding process, which the Government of Bahrain recognizes as vital to attracting foreign investment. The Tender Board awarded tenders worth \$453.6 million in 2004. When the U.S.-Bahrain FTA enters into effect, Bahrain will be required to conduct procurement covered by the FTA in a fair, transparent, and non-discriminatory manner.

INTELLECTUAL PROPERTY RIGHTS (IPR) PROTECTION

The U.S.-Bahrain FTA commits Bahrain to enforce world-class IPR protection. Bahrain has finalized the process of joining the World Intellectual Property Organization (WIPO) Copyright Treaty and the WIPO Performances and Phonograms Treaty. The agreements became effective on December 15, 2005. A significant public awareness campaign was launched in March 2005, equating piracy with theft. Islamic religious officials were enlisted to educate the public on the intellectual property rights concept. However, the Motion Picture Association of America (MPAA) complains that the Government of Bahrain has failed to act to curb a growing trend of cable television piracy. The MPAA alleges that unlicensed operators are tapping into cable television feeds and illegally selling access to the diverted signal, thereby depriving U.S. motion picture studios of royalty payments.

The Government of Bahrain is preparing to submit several key pieces of draft IPR legislation to Parliament to comply with its obligations under the FTA. Bahrain's new legislation will improve protections and criminalize various IPR violations, including copyright, trademark and patent infringement.

SERVICES BARRIERS

Financial Sector

In March 2004, as part of an effort to stimulate the insurance industry and reinforce Bahrain's position as a major insurance center in the Middle East, the Bahrain Monetary Authority (BMA) lifted the requirement that foreign insurance brokers and loss adjusters have a local partner to

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operate in Bahrain. These firms, which were previously required to have at least 51 percent Bahraini ownership, are now permitted to operate with 100 percent foreign ownership. The BMA is holding consultations on further reform in areas such as captive insurance, solvency, business conduct, risk management and financial crime, enforcement, central bank reporting and public disclosure, intermediaries, and Islamic insurance.

As a result of the FTA, Bahrain will lift the moratorium on the issuance of new insurance licenses for life and medical insurance upon entry into force of the agreement and will lift the moratorium for non-life insurance licenses 6 months after entry into force.

Telecommunications

The telecommunications sector in Bahrain has been liberalized since July 2004. There are currently two mobile providers in Bahrain: Batelco and Vodafone. The TRA does not plan to award any additional mobile licenses in the near future.

In August 2005, the TRA issued a resolution declaring 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). As of December 2005, only three such licenses had been issued.

INVESTMENT BARRIERS

The U.S.-Bahrain Bilateral Investment Treaty (BIT) provides benefits and protection to U.S. investors in Bahrain, such as most-favored-nation treatment and national treatment, the right to make financial transfers freely and without delay, international law standards for expropriation and compensation cases, and access to international arbitration. The BIT provides national and most favored nation treatment for U.S. investments across all sectors, with exceptions for ownership or control of television, radio or other forms of media, fisheries, initial privatization, air transportation, and the purchase or ownership of land. As of January 1, 2005, U.S. investors can purchase or own shares traded on the Bahrain Stock Exchange.

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 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 special circumstances.

Since January 2001, foreign firms and GCC nationals may own land in Bahrain. Non-GCC nationals may now 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.

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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 twenty-four 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.