



Trade Policy Review Body

TRADE POLICY REVIEW

REPORT BY THE SECRETARIAT

KINGDOM OF BAHRAIN

This report, prepared for the third Trade Policy Review of the Kingdom of Bahrain, has been drawn up by the WTO Secretariat on its own responsibility. The Secretariat has, as required by the Agreement establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), sought clarification from the Kingdom of Bahrain on its trade policies and practices.

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Document WT/TPR/G/294 contains the policy statement submitted by the Kingdom of Bahrain.

Note: This report is subject to restricted circulation and press embargo until the end of the first session of the meeting of the Trade Policy Review Body on the Kingdom of Bahrain. This report was drafted in English.

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SUMMARY

Economic environment

1. Since its last Review in 2007, the Kingdom of Bahrain's economy has continued to grow, despite the global financial crisis, some sporadic domestic tension since 2011, and oil production dips in 2012. Bahrain's growth in 2013 was driven primarily by the oil sector, with real GDP expected to reach 4.8%. Bahrain's balance of payments featured current account surpluses during the review period, and the trade surplus increased to US\$6,795 million in 2012, up from US\$2,865 million in 2007. The annual average inflation rate in Bahrain remained low, on average (2%). There was a sharp decline of the inflation rate to -0.4% in 2011, due largely to a decrease in housing rents, but it rebounded to normal levels in the second half of the year.

2. Since 2008, Bahrain has been implementing a development strategy, Economic Vision 2030 aimed at, *inter alia*, reducing its high dependence on oil and gas. The strategy has helped diversification efforts: the services sector, led by financial services, contributed 58% of Bahrain's real GDP in 2012, and the manufacturing sector based on Bahrain's comparative advantages in energy-intensive industries (mainly aluminium and petrochemicals) contributed 15.2% of real GDP.

Institutional framework

3. Formulation and implementation of the trade policy are the responsibility of the Ministry of Industry and Commerce (MOIC). The MOIC consults with relevant ministries and other institutions that also take part directly or indirectly, including the Economic Development Board. The private sector provides inputs to trade policy formulation, on an ad hoc basis, through the Chambers of Commerce and Industry. The National Committee and its sub-committees deal with WTO-related matters under the ambit of the MOIC.

4. Bahrain has been reviewing and amending its laws with a view to their conformity with WTO obligations. Several new laws have been introduced since its last TPR, including a new Civil Aviation Law (2013), a trade remedies law covering anti-dumping, subsidies and countervailing, and safeguards measures (2011), as well as other laws related to government procurement and maritime transport.

5. Bahrain is an original member of the WTO. It is a signatory to the WTO Information Technology Agreement (ITA), and an observer to the Plurilateral Agreement on Government Procurement. Bahrain has not been involved in any dispute under the WTO Dispute Settlement Mechanism, either directly or as a third party. Bahrain grants at least MFN treatment to all its trading partners. It has difficulties in meeting a number of the notification requirements under certain WTO Agreements, most notably TRIPS.

6. Bahrain is a member of the Gulf Cooperation Council (GCC), and participates in the Pan-Arab Free Trade Area (PAFTA). In the context of the GCC, Bahrain has signed an FTA with EFTA and Singapore. It also has its own bilateral trade agreements, notably with the United States. Bahrain was the first country in the region to have such a bilateral agreement, followed by Oman. GCC Heads of States consider both of these agreements as an exception and all future trade agreements are to be negotiated collectively as a group. As at January 2014, the GCC countries are evaluating the feasibility of negotiating future FTAs with other countries and regions.

Trade policy instruments

7. Bahrain has applied the GCC common external tariff (CET) since 1 January 2003. Bahrain's simple average applied MFN was 5.1% in 2013. All rates are *ad valorem* (except on tobacco), and there are no tariff quotas, no nuisance rates, and no other duties and taxes on imports. Bahrain's exceptions to the GCC CET include alcohol (125%) and tobacco (subject to an alternate tariff, with an *ad valorem* component of 100%). On the basis of the WTO definition, tariffs average 7.5% in agriculture and 4.6% on non-agricultural products. Using ISIC (Revision 2) definition, the least tariff-protected sector is agriculture with 3.0%, followed by mining and quarrying (4.9%) and manufacturing (5.2%).

8. On aggregate, Bahrain's tariff displays positive escalation, from first-stage processed products, with an average tariff of 3.9% to semi-finished goods, with an average rate of 4.8%, and fully processed products, on which tariffs average 5.5%. Bahrain has bound 70.6% of its tariff lines. Most bound tariffs are at a ceiling rate of 35%: however for tobacco and alcohol products (24 lines), tariffs are bound at 100% and 200% respectively, thus leaving ample margins for applied tariff increases. Bahrain has never taken any anti-dumping, countervailing or safeguard actions. Duty concessions may be granted (including on a selective basis) as part of various investment incentives.

9. The documentation for all imported products must be authenticated by the Consulate of Bahrain in the country of origin. Non-tariff measures are maintained on imports and exports, mainly for health, security, and moral reasons. Bahrain has largely harmonized its regime on standards and technical regulations with other GCC members.

10. In 2010, Bahrain adopted a new government procurement regime; it still provides for 10% and 5% price preferences for local and GCC products, respectively. Bahrain has no competition legislation per se, but the telecommunications and financial sectors are well regulated for anti-competitive practises.

Sectoral policies

11. The Bahraini economy continues to be dominated by the oil sector and connected industries, although Bahrain's oil and natural gas reserves are limited. As part of its Economic Vision 2030, attempts are under way to diversify the economy, particularly into financial services and manufacturing. The petroleum subsector accounted for 24.6% of GDP in 2012 and 75% of government income.

12. Agriculture represents a meagre share of Bahrain's economy, accounting for only 0.3% of GDP. Due to lack of arable land and scarce water supply, Bahrain remains a net food importer. Agricultural production is supported through the provision of subsidies and preferential loans to farmers. The simple average applied MFN tariff for agricultural products is 3%.

13. The manufacturing sector continued to grow during the review period and constituted the third largest contributor to Bahrain's economy after hydrocarbons and financial services. As part of its diversification process, Bahrain has focused on high-value-added and energy-intensive industries such as aluminium, petrochemicals, metal products, and steel. These industries are primarily managed by large state-owned companies, most notably Aluminium Bahrain (ALBA) and Gulf Petrochemicals Industries Company (GPIC). Bahrain may authorize up to 100% of foreign investment in companies in the industrial sector. The simple average applied MFN tariff for manufacturing products is 5.2%.

14. Bahrain has continued to expand its services sector, which represented around 58% of GDP in 2012. However, the sector as a whole was strongly affected by the recent financial crisis as well as by the domestic tension in 2011. The financial sector, the cornerstone of Bahrain's diversification strategy, is well regulated by the Central Bank of Bahrain (CBB). In recent years, Bahrain has been focusing on developing its Islamic banking and its insurance subsectors in an attempt to create a niche in a highly competitive market in the Gulf region. However, the size of the banking sector remains a key structural vulnerability; assets for retail banks and wholesale banks accounted for 248% and 390% of GDP respectively in August 2013.

15. The telecommunications market has been liberalized since 2003. A mobile operator, Viva Bahrain, entered the market in 2009, making it the third telecom provider after the partially state-owned operator BATELCO and Zain Bahrain. As the regulator of the market, the Telecommunications Regulatory Authority (TRA) undertakes periodic reviews to ensure that operators do not hold significant market power or dominance in the market.

16. Bahrain's transportation sector has been streamlined by the Ministry of Transportation (MOT), which has taken over responsibility for the development of Bahrain's transportation infrastructure systems, including air, port and maritime, and land transportation. Important legislation that has entered into force on civil aviation and maritime transport, helps to align air

and maritime transport with international practices. After making large losses, in 2007, Gulf Air, the principal flag carrier of Bahrain was fully bought by the state holding company, Mumtalakat.

17. The tourism sector in Bahrain draws on the country's cultural and historical heritage but also on its sports and business tourism potential. The sector was badly affected by the domestic tension of 2011, with tourist arrivals plummeting by 32.7% but rebounded in 2012. In 2010, the Tourism Sector under the Ministry of Culture became responsible for tourism activities in Bahrain. Foreign investment is allowed up to 100% in the sector.

1 ECONOMIC ENVIRONMENT

1.1 Introduction

1.1. The archipelago of Bahrain is located at the centre of the Gulf between Qatar and the Kingdom of Saudi Arabia.¹ Bahrain is the smallest country among the Cooperation Council for the Arab States of the Gulf (GCC) countries. In 2011, Bahrain's population was 1,195,020, of which 51% were non-Bahraini nationals.

1.2. Although Bahrain was the first regional economy to discover oil, in 1932, the country has relatively modest hydrocarbon resources compared with its neighbours. As a result, Bahrain has for decades followed an economic diversification strategy and expansion has been rapid across much of the non-oil economy.

1.3. Bahrain's business-friendly environment has improved notably since its last TPR in 2007. This is evidenced by Bahrain's ranking as the 12th most open economy, according to the Heritage Foundation Index of Economic Freedom, up from 39th place in 2007. In 2012, Bahrain ranked 48th (out of 187 countries) on the UNDP's Human Development Index²; 42nd out of 184 countries in ease of doing business, according to the World Bank, and 53rd out of 176 countries in the corruption perception index.³

1.2 Recent economic developments

1.4. Since 2008, Bahrain has been implementing a development strategy, Economic Vision 2030, aimed at, *inter alia*, reducing its high dependence on oil and gas. The ultimate objective of Bahrain's long-term strategy is to ensure that every Bahraini household has at least twice as much disposable income, in real terms, by 2030. In order to achieve this long-term vision, a National Economic Strategy was developed in 2008 to enhance private-sector growth while the Government creates an enabling environment by investing in infrastructure projects. The main objectives of the strategy include establishing a more competitive and sustainable economy; stimulating growth by enhancing productivity and skills; and focusing on existing high-potential sectors that are labour-intensive.

1.5. Since its last Review, Bahrain has continued to grow, despite the global financial crisis, some sporadic domestic tension since 2011, and oil production dips in 2012. After several years of continued growth, backed by high oil prices and a thriving financial services sector, growth decelerated sharply in 2009 to 2.5%, mainly as a result of declining oil prices in the first half of the year. In 2010, the economy recovered slowly, and real GDP grew at 4.3%. However, in 2011, non-oil sectors such as financial services and tourism were greatly affected by the Euro-zone crisis as well some domestic tension; and in 2012, real GDP grew by 3.4%, despite an 8.5% fall in oil production due to unscheduled maintenance in Bahrain's main oil field, Abu Sa'afa. Thus, growth in 2012 was driven primarily by the non-oil sector, which expanded by 6.7%.

1.6. In 2011, the GCC countries established an aid fund worth US\$10 billion to support Bahrain's economy, providing various forms of financial support to the Government on generous terms. Bahrain will use these funds to build new development projects, especially basic services projects.

1.2.1 Macroeconomic indicators

1.7. Bahrain's GDP per capita was estimated at US\$24,399 for 2011; it is considered a high income country (Table A1.1). In 2011, around 80% of government income and merchandise exports were from crude oil and petroleum products. While Bahrain is becoming more of a services-based economy, mining and quarrying products, including crude oil and natural gas accounted for almost a quarter of real GDP in 2012. The services sector, led by financial services,

¹ Bahrain is an Arabic word meaning two seas. Bahrain is connected to the Kingdom of Saudi Arabia by a 23-km causeway, in use since 1986. A causeway connection to Qatar is being planned (Bahrain's Economic Development Board online information. Viewed at:

<http://www.bahrainedb.com/default.asp?action=category&id=26>).

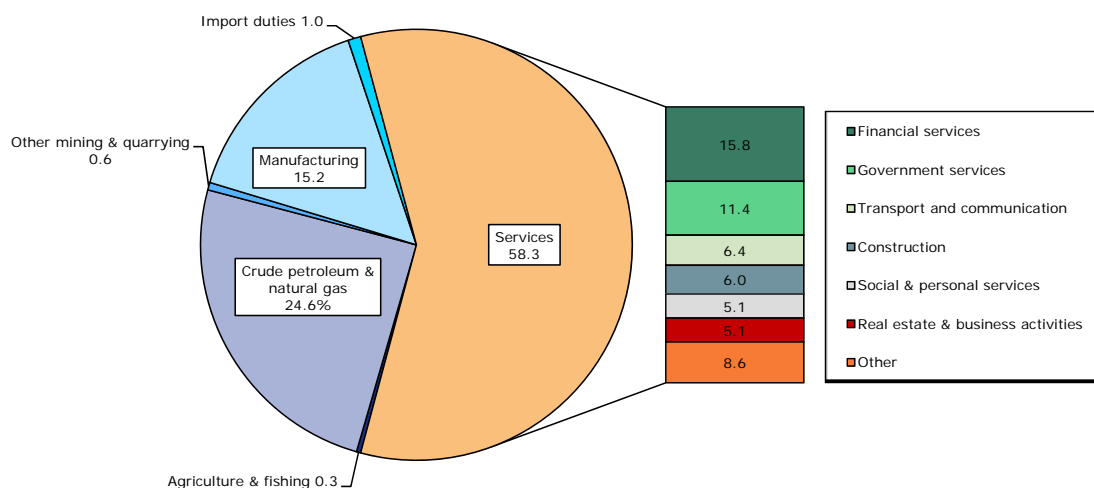
² UNDP (2012).

³ World Bank (2013) and Transparency International (2013). Viewed online at: <http://www.transparency.org/country#BHR>.

contributed over half of Bahrain's real GDP in 2012 and employed over 14,000 people. The manufacturing sector, based on Bahrain's comparative advantages in energy-intensive industries (mainly aluminium and petrochemicals), contributed 15.2%, while the share of agriculture and fishing continues to fall.

Chart 1.1 Share of GDP by economic activity, 2012

(%)



a Provisional data.

Source: Central Informatics and Telecommunication Organization, *Annual Report 2011* and *Bulletin of Quarterly National Accounts*, fourth quarter, 2012.

1.8. The annual average inflation rate, as measured by the Consumer Price Index (CPI)⁴, has fluctuated since 2007, but remained low on average (2%). However, in 2011 there was a sharp decline of the inflation rate to -0.4% due largely to a decrease in housing rents; but it rebounded to normal levels within the second half of the year.

1.9. Bahrain has a fixed exchange rate policy. The Bahraini Dinar (BD), the national currency has been pegged to the U.S. dollar (1 BD = US\$2.659) since 2001. The main goals of monetary policy continue to be price stability, low inflation, and maintaining the peg against the U.S. dollar.

1.2.2 Employment

1.10. Unemployment in Bahrain is relatively low, estimated at 3.9% in December 2012. Out of a total of 716,473 people employed in 2013 in both the private and public sectors⁵, nationals account for only 26.3% of the total, with private sector participation of about 17%. This relatively low participation of Bahrainis in the labour market has led the authorities to establish several government organizations to help Bahraini nationals better compete for jobs, known as Bahrainization. One such organization, *Tamkeen*, (empowerment in Arabic) was set up in 2006 to foster the formation and growth of local firms, and help Bahraini nationals obtain employment in the private sector by funding training initiatives.

1.11. Small and medium-size enterprises (SMEs) play an important role in Bahrain's economy, contributing nearly 30% of nominal GDP and providing jobs for about 73% of private sector employees. A new labour law was adopted in July 2012 (Law No. 36) to improve labour standards for national and foreign workers (replacing Law No. 73 of 2006). With the aim to establish better working conditions and increase salaries, the new law, *inter alia*, aligns private sector labour practices with the Government sector; expedites the process for labour disputes; extends legal protection for domestic staff; and increases employee benefits.

⁴ Housing and food carry the largest weights in the CPI, at 24% and 21% respectively.

⁵ Based on preliminary statistics from the Central Informatics Organization of Bahrain.

1.2.3 Balance of payments

1.12. In most of the recent years, Bahrain's balance of payments featured current account surpluses; the highest at 13.4% of current GDP in 2007 and the lowest in 2009 with 2.4% of current GDP (Table 1.1). In 2011 and 2012, increases were at 11.1% and 7.3% respectively. This better-than-expected performance in Bahrain's external current account is due to a decline in capital outflows. Bahrain's trade surplus increased almost three-fold between 2006 and 2012.

1.13. Balance-of-payments data indicate that Bahrain is, increasingly, a net exporter of services, with a surplus averaging US\$1,701 million per year during 2006-11 (up from US\$417.2 million during the last review period), and peaking at US\$2,142 million in 2010. The balance of travel services suffered from the global crisis and decreased from US\$592 million in 2006 to US\$322 million in 2011; transportation services fluctuated during the same period and were largely affected by the crisis, plummeting to a deficit of US\$144 million in 2008, then rebounding to a surplus of US\$101 million in 2012.

Table 1.1 Balance of payments, 2006-12

(US\$ million)

	2006	2007	2008	2009	2010	2011	2012
Current account	2,188	2,907	2,257	560	770	3,247	2,222
Goods	2,386	2,865	3,245	2,439	2,643	7,800	6,795
General merchandise	2,246	2,708	3,069	2,261	2,457	7,544	6,529
Exports (f.o.b)	12,200	13,634	17,316	11,874	13,647	19,650	19,768
Oil	9,218	10,796	13,789	8,914	10,181	15,491	15,194
Non-oil	2,982	2,838	3,527	2,960	3,466	4,160	4,574
Imports (f.o.b)	-9,954	-10,926	-14,246	-9,613	-11,190	-12,106	-13,239
Oil	-4,902	-5,864	-7,204	-4,354	-5,393	-7,469	-8,931
Non-oil	-5,052	-5,061	-7,042	-5,259	-5,797	-4,636	-4,309
Repairs on goods	140	157	176	178	186	256	266
Services (net)	1,717	1,823	1,710	1,912	2,142	1,261	1,339
Credit	3,322	3,524	3,740	3,653	4,047	3,040	2,819
Debit	-1,605	-1,701	-2,030	-1,741	-1,905	-1,778	-1,495
Transportation	48	51	-144	40	43	87	101
Travel	592	626	663	710	856	316	322
Communication services	618	643	665	700	752	572	580
Financial services (including insurance)	427	467	487	434	474	267	324
Other business services	31	36	40	27	16	19	12
Income (net)	-385	-299	-924	-2,400	-2,373	-3,765	-3,838
Credit	7,634	10,374	7,088	1,680	1,468	6,822	2,998
Debit	-8,019	-10,672	-8,012	-4,080	-3,841	-10,586	-6,835
Investment income	-385	-299	-924	-2,400	-2,373	-3,765	-3,838
Direct investment Income	-839	-1,190	-1,274	-295	-2,088	-3,390	-3,195
Portfolio income	1,591	2,054	1,087	16	-43	351	372
Other investment Income	-1,137	-1,163	-737	-2,121	-242	-725	-1,013
Current transfers (net)	-1,531	-1,483	-1,774	-1,391	-1,642	-2,050	-2,074
Workers' remittances	-1,531	-1,483	-1,774	-1,391	-1,642	-2,050	-2,074
Capital and financial account (net)	-2,199	-2,916	-2,227	-494	-877	-3,319	-2,340
Capital account (net)	75	50	50	50	50	76	100
Capital transfers	75	50	50	50	50	76	100
Financial account ^a	-2,274	-2,966	-2,277	-544	-927	-3,395	-2,440
Direct investment	1,935	87	173	2,049	-178	-113	-31
Abroad	-980	-1,669	-1,620	1,791	-334	-894	-922
In the Kingdom of Bahrain	2,915	1,756	1,794	257	156	781	891
Portfolio investment	-8,831	-8,560	9,277	8,276	4,756	5,583	3,843

	2006	2007	2008	2009	2010	2011	2012
(net)							
Assets	-10,527	-9,890	6,287	6,710	2,052	5,164	2,741
Liabilities	1,696	1,330	2,990	1,565	2,704	419	1,102
Other investment net)	5,445	6,921	-12,021	-10,988	-4,225	-9,453	-5,579
Assets	-30,235	-38,505	-3,265	18,124	2,740	17,327	2,809
Liabilities	35,680	45,426	-8,756	-29,111	-6,965	-26,780	-8,388
Reserve assets (net)	-822	-1,415	294	119	-1,280	587	-673
Errors and omissions	11	10	-30	-66	107	72	118

a A negative sign means net outflows/increases in external assets.

Note: Based on provisional data.

Source: Central Bank of Bahrain, *Statistical Bulletins* (February and December 2011, January and March 2013). Viewed at: http://www.cbb.gov.bh/page-p-statistical_bulletin.htm.

1.2.4 Fiscal position

1.14. Bahrain's fiscal position remains challenged compared with the GCC's wealthier oil producers. Increased social spending has left Bahrain more reliant on high oil prices, and vulnerable to swings in the energy markets. Since its last Review, Bahrain's fiscal position has been in deficit, mainly due to the increase in capital expenditures for infrastructure, housing, and development projects, coupled with a decrease in revenue from oil.⁶ The overall public sector balance was characterized by deficits (increasing after rollover) during 2009-11 but has improved since 2011 and is likely to be stable for 2013-14. Bahrain is trying to offset its unsustainable subsidy system by considering direct and indirect taxes, diversifying its public revenue sources, and encouraging more private sector involvement.

1.15. Total outstanding public debt at the end of the third quarter of 2013 was at 33.6% of GDP, up from 30% in 2011, according to the Central Bank of Bahrain (CBB). Bahrain has been financing its public debt through a combination of treasury bills, development bonds, and various Islamic financing instruments.

1.3 Developments in Trade⁷

1.3.1 Composition of trade

1.16. Bahrain's economy is highly dependent on international trade; the ratio of trade to GDP was 128% on average over the period 2009-11. In 2012, Bahrain ranked 51st among world merchandise exporters (considering the EC member states as one and excluding intra-EC trade) and 62nd among importers. In services trade, Bahrain ranked 62nd among exporters and 94th among importers (Chart 1.2).⁸

1.17. Bahrain's exports continued to grow over the review period but fell sharply from US\$13 billion in 2008 to US\$8.3 billion in 2009, due to the impact of the global economic crisis. By 2011, total exports including re-exports had more than doubled, to reach US\$22.5 billion. Hydrocarbons are major contributors to Bahrain's exports. The share of fuels in total merchandise exports averaged around 72% during 2006-11 (Table A1.2), while non-oil exports, in particular aluminium products, represented around 11.7% on average.

⁶ EDB (2013a).

⁷ Trade statistics were not made available to the Secretariat for the year 2012.

⁸ WTO (2013).

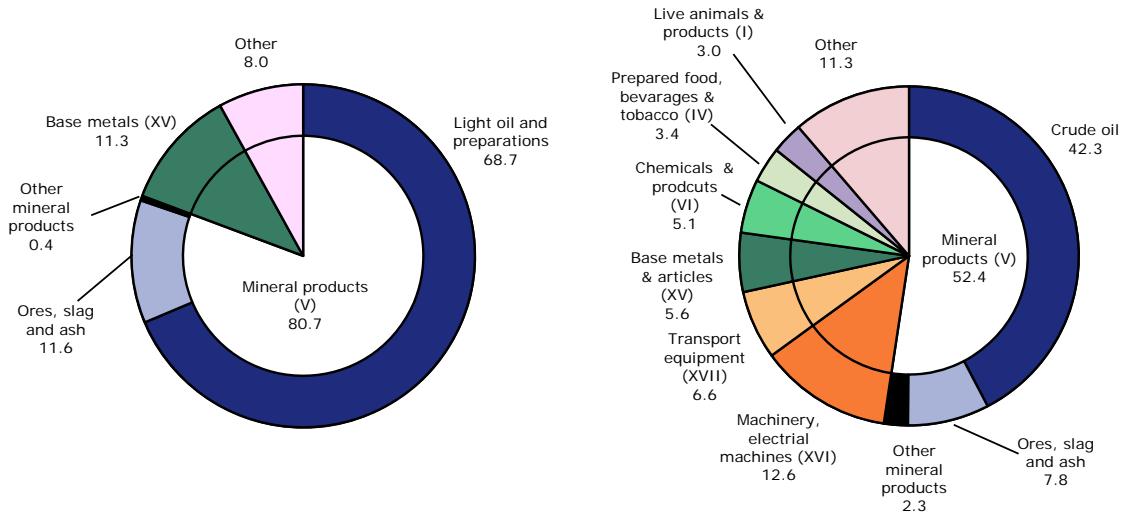
Chart 1.2 Merchandise trade, 2011

(%)

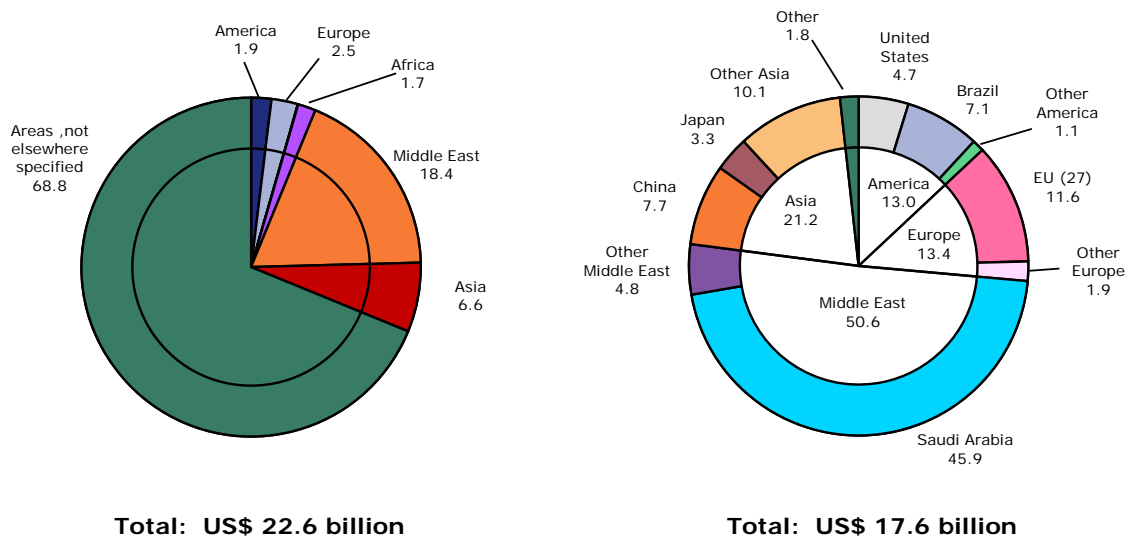
Export (f.o.b.)

Import (c.i.f.)

(a) Composition of merchandise trade^a



(b) Direction of merchandise trade



Total: US\$ 22.6 billion

Total: US\$ 17.6 billion

a Based on HS section and major HS chapters. Data in brackets refer to the HS Section number.

Note: Exports including re-exports.

Source: UNSD, Comtrade database.

1.18. Although the trade to GDP ratio is inflated due to oil, oil revenue from exports helps maintain Bahrain's trade balance, the exchange rate, and the currency peg to U.S. dollar, according to Bahrain's Economic Development Board (EDB).⁹ However, the trade base is still vulnerable to oil shocks and Bahrain therefore needs to further diversify its economy to increase the contribution of non-oil exports to the trade balance.

⁹ Oxford Business Group (2013).

1.19. Bahrain's imports continued to grow, on average, during the review period, reflecting the country's economic growth. Imports peaked at US\$18.4 billion in 2008 (from US\$8.9 billion in 2006), fell to US\$11.9 billion in 2009, and rebounded to US\$17.6 billion in 2011 (Table A1.3). While the share of fuels in total merchandise imports decreased from 55.6% in 2006 to 43.9% in 2011, the share of machinery, electrical machines and transport equipment increased, accounting for 19.2% in 2011. Bahrain remains a net-food importer.

1.3.2 Direction of trade

1.20. Bahrain's export destinations are relatively diversified (Table A1.4).¹⁰ In 2011, the Middle East accounted for 18.4% of Bahrain's total exports, with the Kingdom of Saudi Arabia, Qatar, and Oman the main destinations in the region. In Asia, India is the main destination. The European Union and the United States are also important destinations for Bahraini exports.

1.21. The Kingdom of Saudi Arabia was the main origin for Bahraini imports in 2011, with a share of 45.9%, followed by the European Union, China, Brazil, and the United States (Table A1.5).

1.4 Foreign direct investment trends

1.22. Bahrain's inward stocks of foreign direct investment (FDI) reached US\$16,826 million in 2012, up 23% from 2007. However, Bahrain's annual inflow of FDI fluctuated over the review period and was negatively affected by the financial crisis; FDI inflows plummeted from US\$1,794 million in 2008 to US\$257 million in 2009; however they bounced back in 2011 and 2012 reaching US\$781 million and US\$891 million respectively (Chart 1.3). In addition, as a percentage of GDP, the stock of inward FDI decreased from 70.6% in 2006 to 59.6% in 2011. On the basis of UNCTAD's Inward FDI Performance Index, Bahrain ranked 121st out of 141 economies in 2010 (30th in 2008).¹¹ Bahrain's annual FDI outflows averaged US\$617.6 million over 2006-11 and fluctuated over the review period. They were strongly hit by the crisis, and decreased significantly to US\$-1,791.5 million in 2009. However, FDI outflows increased slowly, to reach US\$922 million in 2012. In terms of sources of FDI inflows for 2012, India, the Kingdom of Saudi Arabia, and Kuwait accounted for the largest shares.¹²

1.23. Bahrain's position in UNCTAD's Inward FDI Potential Index improved from 28th in 2006 to 23rd in 2009.¹³ Nevertheless, Bahrain needs to attract more investors in the non-oil sector in order to support the country's economic diversification plans. Since the global financial crisis, Bahrain has been trying to attract FDI in sectors other than financial services, such as downstream industries. Under the Economic Vision 2030, policy-makers are focusing on enhancing FDI to support technology diffusion, increasing high-value added exports and employment opportunities.

1.5 Outlook

1.24. According to the EDB, real GDP growth is expected to reach 4.8% in 2013; as hydrocarbons remain a major contributor to growth.¹⁴ Largely due to the normalization of oil production from the Abu Sa'afa field, as well as planned further increases in production from the Bahrain field, the EDB expects real GDP growth to revert to 3.7% in 2014.

¹⁰ For 2011, a large share of exports by destination (68.8%) is categorized as "other"; thus accurate data for this section were not available.

¹¹ UNCTAD's Inward FDI Performance Index measures the extent to which host countries receive inward FDI, and ranks countries by the amount of FDI they receive relative to their economic size. It is calculated as the ratio of a country's share in global FDI inflows to its share in global GDP.

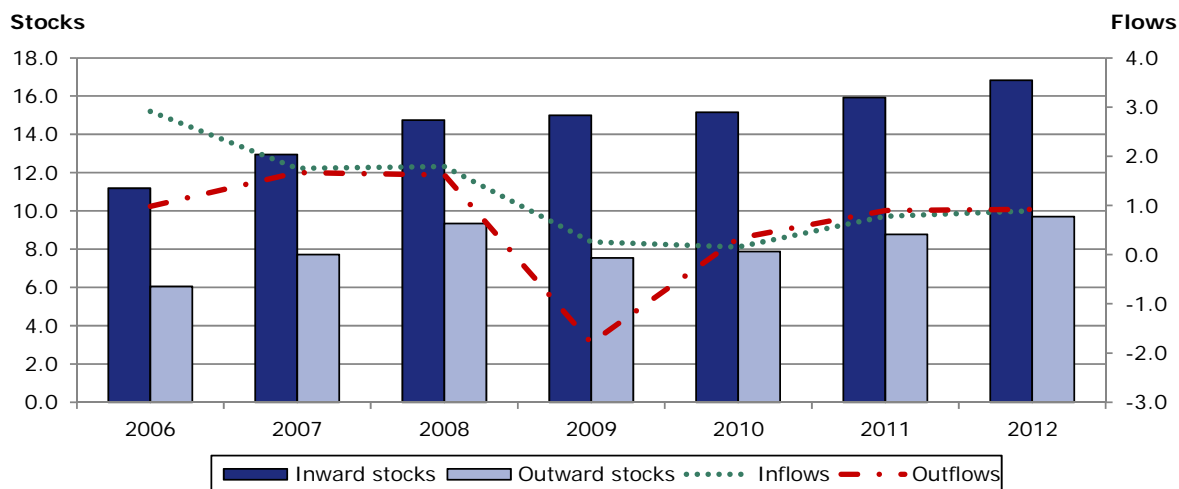
¹² UNCTAD (2013).

¹³ UNCTAD's Inward FDI Potential Index measures the extent to which host countries receive inward FDI, and ranks countries by the amount of FDI they receive relative to their potential. It is calculated on the basis of structural variables, such as country risk, and trade-related measures.

¹⁴ EDB (2013b).

Chart 1.3 FDI flows and stocks, 2006-12

(US\$ billion)



Source: UNCTAD, UNCTADstat. Viewed at <http://unctadstat.unctad.org/> (Access to database in October 2013).

Source UNCTAD, UNCTADstat. Viewed at: <http://unctadstat.unctad.org/> (Access to database in October 2013).

1.25. Exports will be driven mainly by manufactured goods, primarily aluminium and petrochemicals, as competition in the area of services increases from other countries in the region. However, for financial services, Bahrain's reputation for being well-regulated as well as its Islamic finance niche will help sustain growth in this sector.

1.26. The Government will continue to increase spending on subsidies, infrastructure, and social housing and count on private sector engagement to help alleviate some pressure on the public finances. The Government is planning a fiscal break-even oil price of more than US\$110 in 2013 and 2014.

2 TRADE POLICY REGIME: FRAMEWORK AND OBJECTIVES

2.1 Institutional framework

2.1. Bahrain has been ruled as a Constitutional monarchy since 2002. The legal system is based on the 2002 Constitution, amended in 2012. The Sharia (Islamic Law) is the basis of national legislation, and Islam is the state religion.

2.2. The system of government is based on a separation of the legislative, executive, and judicial authorities.¹ Legislative authority is vested in the King and the National Assembly, while executive authority is vested in the King together with the Council of Ministers. The King exercises his powers directly and through the Ministers, jointly answerable to him for general government policy. The King also appoints and dismisses the Prime Minister, by Royal Order, and appoints and dismisses Ministers, by Royal Decree, as proposed by the Prime Minister. The King is also the supreme commander of the armed forces and has the right to propose amendments to the Constitution², propose laws, and is the ratification and promulgation authority.

2.3. The Council of Ministers is headed by the Prime Minister. Entrusted with overseeing state interests, the Council of Ministers implements government policy, and supervises government business. Cabinet resolutions may only be passed when a majority of members are present and with the approval of a majority of those present. The Cabinet also submits recommendations to the King on economic, political, social, environmental, executive, and administrative matters of concern to the Government, and proposes draft law and decrees for his approval. Where a Royal Decree is required, Cabinet resolutions are submitted to the King for ratification.

2.4. Bahrain established its Parliament, a bicameral National Assembly, in 2002 for a four-year term. The National Assembly consists of the Council of Representatives, a 40-seat lower house; and the Consultative "Shura" Council, a 40-seat upper house. Members of the Council of Representatives are elected by direct, secret, general ballot while members of the Consultative Council are appointed by Royal Order.³ The latest parliamentary elections took place in 2010, followed by a parliamentary bi-election in 2011.

2.5. Under the 2012 constitutional amendments, the King is required to consult with the Chairman of the Council of Representatives, the Chairman of the Shura Council and the President of the Constitutional Court before he can dissolve the Council of Representatives by a decree outlining the reasons of the dissolution.⁴ Furthermore, the Council of Representatives, acting alone, has the right to pass a no-confidence vote against the Prime Minister and submit the matter to the King, who is the final authority to decide on whether to dismiss the Prime Minister and appoint a new cabinet or to dissolve the Council of Representatives.⁵

2.6. The judiciary is an independent and separate body. The highest judicial authority is the Constitutional Court, which is chaired by the King, who also retains the power of pardon. The Constitution also provides for a Higher Judicial Council to supervise the functions of the courts and their offices. At a lower level, the judiciary consists of civil courts and Sharia or Islamic courts. Decisions taken by the Sharia and civil courts may be appealed to the High Court of Appeals, which is the highest appellate court. Although Bahrain does not have a commercial court, Royal Decree No. 30 of 2009 established the Bahrain Chamber for Dispute Resolution.⁶

2.7. Bills are prepared by the relevant ministries, and presented successively to the Council of Ministers, the Council of Representatives, and the Consultative Council, and then for approval by the King through a Royal decree. Under the Constitution, the Council of Representatives has the

¹ Article 32 of the Constitution.

² Articles 35a and 120 of the Constitution.

³ During its first session, the Council of Representatives chooses a President and two Vice Presidents from among its members. In the case of the Consultative Council, the King appoints its President for the same term as the Council, and the Council elects two Vice-Presidents for each convening period. Members of both Chambers serve for a four-year term and may be re-elected, in the case of the Council of Representatives, or re-appointed by the King for the Consultative Council.

⁴ Article 42 paragraph C of the Constitution amended in 2012.

⁵ Article 67 paragraph D of the Constitution amended in 2012.

⁶ Bahrain Chamber for Dispute Resolution. Viewed online at: <http://www.bcdr-aaa.org>.

power to comment on and alter legislation presented by the Prime Minister as well as suggest new laws. In principle, laws cannot be promulgated unless approved by both Chambers and ratified by the King. In the event of the Consultative Council twice rejecting the proposals of the Council of Representatives, a joint vote is held.⁷ The Consultative Council has no legislative powers and can only make recommendations on the draft laws. Once a bill is signed by the King, it becomes a Royal decree and must be published in the *Official Gazette* within two weeks of promulgation; it enters into effect one month after publication unless otherwise specified.⁸ Treaties and international agreements concluded by Bahrain have legal power in national courts.⁹

2.2 Trade policy formulation

2.8. The Ministry of Industry and Commerce (MOIC) continues to formulate and implement Bahrain's trade policy, in coordination with other ministries and trade-related bodies including the Economic Development Board (EDB), Ministry of Finance, and Central Bank of Bahrain. Private sector participation in trade policy formulation is through the Bahrain Chamber of Commerce and Industry (BCCI).

2.9. Bahrain's National Committee (NC), which deals with WTO-related matters, was established in 1996 (Law No. 25 of 1996 amended by decree No. 59 of 2011). Sub-committees and ad-hoc working groups are in place for trade in services, trade facilitation and sanitary and phytosanitary (SPS) issues. The private sector is represented in these committees. The National Committee of the WTO was formed by a decision of the Prime Minister and chaired by the Minister of Industry and Commerce.

2.10. In line with the GCC Customs Union and according to GCC resolutions, bilateral and regional trade agreements are conducted collectively by the GCC as a group, the only exceptions being the Bahrain-U.S. FTA and the Oman-U.S. FTA.

2.11. The EDB continues to provide strategic direction on the management of the economy, and in particular to facilitate private sector and foreign investment. Since its inception in 2001, the EDB's aim has been to increase economic competitiveness, raise productivity levels, and focus on creating a skilled workforce that contributes to the development of Bahrain. The EDB is chaired by the Crown Prince and its Board of Directors, which includes government ministers as well as industry executives, in order to enable public and private sectors to work closely together.

2.2.1 Main trade laws

2.12. The main trade-related laws are the GCC Common External Customs Tariff (2012) and GCC Common Customs Law (2012); Law of Commerce (1987); Commercial Companies Law No. 21 of 2001; Commercial Registration Law No.1 of 1961 and amendments (Table A2.1).

2.3 Economic and trade policy objectives

2.13. As part of its Economic Vision 2030, Bahrain is striving for sustainable development through economic diversification away from oil. In order to achieve this long-term vision, in 2008, a National Economic Strategy was developed by the EDB and coordinated with relevant ministries. The main aim of the strategy is to transform Bahrain into a knowledge-based economy that is competitive and sustainable. The main focus is on existing high-potential, labour-intensive sectors where both the private sector and the Government can play crucial complementary roles.

2.14. To meet some of these economic objectives, the Ministry of Industry and Commerce (MOIC) is focusing to: (i) foster a fair and transparent regulatory environment; (ii) increase the level of competition; (iii) facilitate entrepreneurship for small and medium-size enterprises (SMEs); (iv) strengthen the manufacturing sector; (v) maximize benefits from foreign trade relations, and (vi) improve the quality and efficiency of MOIC services using information technology.

⁷ Article 85 of the Constitution.

⁸ Article 122 of the Constitution.

⁹ Article 121(a) of the Constitution: "The application of this Constitution does not breach the treaties and agreements which Bahrain has concluded with states and international organisations".

2.4 Trade agreements and arrangements

2.4.1 WTO

2.15. Bahrain is an original Member of the WTO. It is a signatory to the WTO Information Technology Agreement (ITA). On 9 December 2008, Bahrain became an observer to the WTO Plurilateral Agreement on Government Procurement.

2.16. Bahrain's trade-related notifications to the WTO are presented in Table A2.2.

2.17. Bahrain grants at least most-favoured-nation (MFN) treatment to all its trading partners. It is an advocate of the multilateral trading system and is a member of the Arab Group. Its main interests in the Doha Development Agenda (DDA) include greater non-agricultural market access (NAMA) and further liberalization of trade in services.

2.4.2 Regional and bilateral agreements

2.4.2.1 The Gulf Co-operation Council (GCC)

2.18. The GCC, created in May 1981, comprises Bahrain, Kuwait, Oman, Qatar, the Kingdom of Saudi Arabia, and the United Arab Emirates. Its main objectives are regional cooperation and integration in all economic, social, and cultural affairs. Its specific objectives are to achieve a common market, with equal treatment of GCC citizens (about 40 million), in each member country, in respect of freedom of movement, work, residence, ownership of real estate, movement of capital, as well as financial and monetary coordination. A free-trade area among GCC members was established in 1983.

2.19. The Unified Economic Agreement among the GCC countries was notified to GATT contracting parties on 15 August 1984. The GCC customs union was originally notified by Kuwait under the Enabling Clause. Following its accession to the WTO, the Kingdom of Saudi Arabia notified the customs union under Article XXIV of the GATT, but subsequently requested a change in notification status to paragraph 4(a) of the Enabling Clause. On 6 October 2009, the GCC Agreement was re-notified by the Kingdom of Saudi Arabia under Article XXIV:7(a) of the GATT 1994.¹⁰

2.20. Since January 2003, the GCC states have applied a common external tariff (CET) of 0% and 5% for most products (Chapter 3.2.4.1.), and a common law on customs procedures and valuation. On 1 January 2008, the members of the GCC also formed a common market for services. This aspect of the GCC agreement is yet to be notified to the WTO. As at November 2013, the GCC had common legislation on contingency measures, veterinary quarantine and plant quarantine. Under the GCC Agreement, each member state maintains its own list of restricted and prohibited items.

2.21. While all the members apply a common external tariff on most imports, certain differences remain (e.g. on alcohol products). In addition, customs checks between GCC members are maintained for security and other reasons (e.g. statistics, and to avoid piracy and commercial cheating). Prohibited goods may not circulate between members' territories; restricted products may transit the territory of members who restrict their import, with the appropriate documentation.

2.22. GCC members are still in the process of reaching agreement on how to allocate customs revenues from applied tariffs. Full implementation of the customs union is expected to be by end 2015.

2.23. In December 2005, an initiative was launched for the adoption of a common currency by 2010. The five macroeconomic and convergence criteria were: a limit on budget deficits as a share of GDP; a limit on public debt as a share of GDP; adequacy levels for foreign exchange reserves; and convergence criteria on inflation; and on interest rates. In December 2009, Bahrain, Kuwait, Qatar, and the Kingdom of Saudi Arabia ratified an agreement to establish a monetary union.

¹⁰ WTO documents WT/REG222/N/1, 20 November 2006, WT/COMTD/N/25, 31 March 2008 and WT/REG276/N/1/Rev.1, 17 November 2009.

Oman and the United Arab Emirates opted not to join for the time being. In 2013, the common currency project had not yet been implemented and the date to achieve a single currency was still to be determined.

2.24. The GCC, as a group is a relatively open economy, with trade (imports and exports) representing some 48% of GDP in 2010. However, intra-regional trade among GCC countries is fairly low, accounting for an average of about 5% of exports and 6% of imports. This is partly explained by the similar factor endowment of the members.

2.25. While two GCC members (Bahrain and Oman) have FTAs on an individual basis with the United States (see 2.4.2.3. below), the GCC considers the latter an exception and has decided that all future agreements will be negotiated collectively. As a group, the GCC has concluded free-trade agreement negotiations with the European Free Trade Association (EFTA) states, and Singapore. Negotiations with other countries were ongoing as at November 2013 (see 2.4.2.5. below).

2.4.2.2 PAFTA

2.26. Under the Pan Arab Free-Trade Area (PAFTA) Treaty¹¹, in force since 1 January 1998, most trade barriers among its members were eliminated on 1 January 2005, with some products excluded from liberalization for health, environmental, security, and religious reasons. Numerous implementation problems and non-tariff barriers are still reported, such as differing standards, lengthy bureaucratic and administrative procedures at the borders, and transit fees. For products imported from PAFTA countries, local value-added of at least 40% is required in order to qualify for preferential treatment. Currently, 17 members are implementing the agreement.¹² The principal entity responsible for implementing the programme is the Economic and Social Council of the League of Arab States. The PAFTA was notified to the WTO by the Kingdom of Saudi Arabia in 2006.¹³

2.4.2.3 United States

2.27. A free-trade agreement (FTA) between Bahrain and the United States was concluded in 2004.¹⁴ Bahrain was the first GCC country to do so.¹⁵ This FTA, which entered into force in August 2006, covers trade in goods and services; it also has provisions on investment, intellectual property rights, e-commerce, labour, environment, and dispute settlement. It provides for tariff elimination in agricultural and non-agricultural goods over a maximum of ten years, although a large share of products were granted duty-free access immediately.

2.28. Special provisions apply to trade in textile and apparel goods. In government procurement, U.S. suppliers are given the same price preference of 10%, wherever this privilege is extended by the GCC to domestic suppliers. All services sectors were liberalized, except for fishing, customs clearance, and postal services, and publishing of local newspapers.

2.4.2.4 Singapore

2.29. A free-trade agreement between Singapore and the member states of the GCC entered into force in September 2013. The agreement covers trade in goods and services, investment, rules of origin, standards, customs procedures, government procurement, e-commerce, intellectual property, movement of natural persons, and economic cooperation. The agreement has not yet been notified to the WTO.

2.30. With the agreement's entry into force, approximately 94% of all GCC members' tariff lines qualified for immediate duty-free treatment, while an additional 2.7% of tariff lines will be duty-free as of 2018. In services, both parties committed to liberalize various sectors beyond their WTO

¹¹ The agreement is sometimes referred to as GAFTA (General Arab Free Trade Agreement).

¹² Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libyan Arab Jamahiriya, Morocco, Oman, Palestinian Authority, Qatar, the Kingdom of Saudi Arabia, Sudan, Syrian Arab Republic, Tunisia, United Arab Emirates, and Yemen.

¹³ WTO document WT/REG223/N/1, 20 November 2006. The text of the agreement has not yet been made available to the Secretariat.

¹⁴ WTO documents WT/REG219/N/1 and S/C/N/375, 15 September 2006.

¹⁵ An FTA between Oman and the United States entered into force in 2009.

commitments. Singapore citizens, permanent residents, and companies incorporated in Singapore benefit from preferential access in professional services i.e. legal, accounting, and engineering services; and business services, i.e. construction, distribution, and hospital services. In government procurement, Singaporean suppliers are given the same price preference of 10%, wherever this privilege is extended by the GCC to domestic suppliers.

2.4.2.5 Agreements not yet in force

2.31. The FTA signed by EFTA member states and the member states of the GCC in June 2009 had not entered into force as at November 2013, as not all GCC member states have concluded the official ratification procedures.

2.32. As at January 2014, the GCC countries are evaluating the feasibility/impact of negotiating future FTAs with other countries and regions.

2.4.3 Other agreements

2.33. Bahrain has signed bilateral economic cooperation agreements with 61 countries.¹⁶

2.34. Bahrain does not participate in the Global System of Trade Preferences (GSTP) among developing countries; it neither provides nor receives trade preferences under the Generalized System of Preferences (GSP).

2.5 Trade disputes and consultations

2.5.1 Dispute settlement in the WTO

2.35. Bahrain has not been involved in any dispute under the WTO Dispute Settlement Mechanism, either directly or as a third party.

2.5.2 Other

2.36. Bahrain has not been involved in any disputes under its regional or bilateral agreements.

2.6 Investment regime

2.37. The Commercial Companies Law (No. 21 for 2001) sets out the rules and regulations governing permitted legal structures for companies, while the Commercial Registration Law (No. 1 for 1961) sets out the rules and regulations governing individual establishments. An individual establishment is a non-incorporated entity owned by one individual who must be a citizen of Bahrain or another GCC country. Under the Commercial Companies Law, depending on the activity to be undertaken, up to 100% foreign equity ownership in companies is permitted in: general partnership companies; joint-stock companies; limited partnership by shares; limited liability companies; single person companies; and holding companies. The same treatment is extended to the establishment of representative offices or branches of foreign companies. Article 348 of the Commercial Companies Law requires any branch, agency or office to provide a guarantee to ensure performance of its obligations. This guarantee could be sponsorship by the head office or by a Bahraini sponsor, or a bank deposit.

2.38. To start most businesses in Bahrain, a licence or approval is required by one or more government authorities. In addition, commercial registration (CR) may also be required, depending on the type of business. Commercial registration applications may be made at the Bahrain Investors Centre I (for companies) and at Bahrain Investors Centre II (for individual establishments), located in *Bait Al Tijjar* Building, which houses the Bahrain Chamber of Commerce and Industry. Work permits and residency permits are also required to hire foreign workers. A flat commercial registration fee of BD 50 and an annual renewal fee of BD 50 are also required. The payment of a licence fee may be requested from other ministries depending on the type of activity. In 2012, 8,689 new commercial licences were issued.

¹⁶ Ministry of Finance online information. Viewed at: <http://www.mof.gov.bh/CategoryList.asp?ctype=agree> on 12 January 2014.

2.39. As at December 2013, the Commercial Companies Law was being amended and had reached Parliament for approval. According to the authorities, the main proposed changes include, the elimination of the minimum capital requirements for setting up a business in Bahrain and the requirement that partners must own at least 10% of the company.

2.40. As part of its investment strategy, Bahrain promotes several key sectors for investment. These include financial services, professional and industrial services, education and training, logistics, information and communications technology, manufacturing, consultancy, real estate, construction, chemicals and plastics, aluminium, water, and healthcare. Foreign investment in petroleum extraction is permitted through exploration and production-sharing agreements with the Government of Bahrain; private investment in refining activities is permitted.

2.41. Bahrain permits 100% foreign ownership of businesses in most types of economic activities with the exception of business activities that are reserved for Bahraini nationals and GCC citizens. For trade and retail activities, a minimum of 51% Bahraini ownership is required. A Bahraini partner is required for GCC companies and for tourism and travel offices. For medical clinics and centres, licensing is confined to Bahraini and GCC citizens (resident in Bahrain) with medical qualifications (not applied to hospitals). At least 50% of each pharmacy must be owned by a Bahraini pharmacist.

2.42. Economic activities reserved exclusively for Bahraini nationals are real estate services, and rental and management of land and buildings (not including buying and selling of real property, or management and development of private property); press, publication, and distribution houses (daily, non-daily, and specialized newspapers and magazines); printing press; oil supply in gas stations; gas bottling and distribution; cooker re-filling and repair, gas cylinder distribution, Hajj and Umra services; foreign manpower supply; commercial agencies; and small business activities. Business activities allowed for only Bahraini and GCC citizens and companies are book-keeping and accounting services (not including auditing); import, export, and sale of racing car fuel; cargo clearing; and fishing.

2.43. Investment is prohibited or restricted for domestic and foreign investors in: gambling; alcoholic drinks manufacturing; narcotics manufacturing; weapons manufacturing; import of all types of waste and treatment; storage and dumping of radioactive materials and toxic waste in Bahrain; import, manufacturing, and dealing of asbestos and its by-products (not including asbestos removal); import and industrial use of restricted chemicals; pearl farming; cigarette manufacturing; import of automatic cigarette vending machines; postal services (exclusive to Bahrain Post).

2.44. Bahrain has no personal, corporate or withholding tax. There are no restrictions on capital repatriation, currency exchange, or transfer of dividends. Land ownership is permitted to Bahraini and GCC nationals in all areas of Bahrain. For non-GCC nationals, land ownership was permitted in 2006 in areas designated for foreign land ownership.

2.45. There are no restrictions on investment abroad by Bahraini nationals. Bahrain has signed bilateral investment treaties with 31 countries¹⁷ and the OPEC Fund for International Development. Bahrain has also signed double taxation agreements with 39 countries.¹⁸ Bahrain is a member of the Multilateral Investment Guarantee Agency (MIGA).

¹⁷ Algeria, Belarus, China, Egypt, France, India, Iran, Jordan, Lebanon, Malaysia, Morocco, Philippines, Syria, Thailand, United Kingdom, United States, Yemen, Sudan, Germany, Italy, Bulgaria, Czech Republic, Netherlands, Uzbekistan, Brunei Darussalam, Turkmenistan, Singapore, Turkey, Belgium-Luxembourg, Spain, and Mexico.

¹⁸ Jordan, Algeria, Syria, Lebanon, Egypt, Morocco, Yemen, Sudan, Ireland, Belgium, Bulgaria, Belarus, Turkey, Czech Republic, Estonia, Isle of Man, Georgia, France, Luxembourg, Malta, Austria, Netherlands, U.K., Uzbekistan, Iran, Pakistan, Brunei, Thailand, Turkmenistan, Singapore, China, Philippines, Malaysia, South Korea, Sri Lanka, Bermuda, Mexico, Seychelles, and Barbados.

3 TRADE POLICIES AND PRACTICES BY MEASURE

3.1 Introduction

3.1. As a member of the Gulf Cooperation Council (GCC), Bahrain has been applying the GCC Common External Tariff (CET) since 2003. Bahrain's tariff consists of three rates: zero (11.1% of all tariff lines), 5% (87.4% of all lines) and 100% (0.01% of all lines). Bahrain has a relatively simple MFN tariff; all rates are *ad valorem* (except on tobacco), and there are no tariff quotas, no nuisance rates, and no other duties and charges on imports. Bahrain maintains its own list of restricted and prohibited goods.

3.2. The documentation for all imported products must be authenticated by the Consulate of Bahrain or any Arab Embassy in the country of origin. Importers in Bahrain are not required to use a commercial agent. An eCustoms Single Window was established in 2011 to expedite the release and clearance of goods. Non-tariff measures are maintained on imports and exports, mainly for health, security, and moral reasons. Bahrain has largely harmonized its regime on standards and technical regulations with other GCC members.

3.3. The Government of Bahrain continues to have a strong influence on the economy, mainly through various state-owned companies, such as ALBA (aluminium), BANAGAS (gas), BAPCO (petroleum), and Gulf Air. Bahrain's privatization programme has slowed down in recent years.

3.4. Since its last TPR in 2007, Bahrain has amended some of its laws and regulations, notably on government procurement, civil aviation, maritime transport, and intellectual property rights. A new commercial company law is expected. The government procurement regime provides for price preferences of 10% and 5% for local and GCC products, respectively. Bahrain has no competition legislation *per se*. It has adopted the GCC Treaty provisions on contingency trade remedies. The Ministry of Industry and Commerce is currently working on a draft for competition legislation.

3.2 Measures directly affecting imports

3.2.1 Procedures

3.5. All imports into Bahrain, including those destined for bonded areas, must be accompanied by, *inter alia*, four copies of the bill of lading (airway bill for air cargo); the original of the certificate of origin (for statistical purposes)¹; three copies of the commercial invoice; and insurance certificates for all shipments insured by the exporter or shipper. Commercial invoices must be certified by a Chamber of Commerce in the country of origin, stating origin and current export price of the product. The certificate of origin must be stamped by the relevant Consulate of Bahrain or any Arab Embassy in the country of origin before the goods may be exported to Bahrain. Consular fees are waived for U.S. traders. In the event that the documents are not authenticated, the goods may still be cleared after inspection by Customs and duties paid in the form of a deposit, which is forfeited if the authenticated documents are not provided within six months of the date of import.

3.6. Product-specific documentation is also required for imports of drugs and medicines, food products, live animals, birds and fish, and all meat and poultry products. Import permits must accompany certain products, including special breed horses (Arabian horses), armaments, insecticides, and fungicides. (section 3.2.5 below).

3.7. All importers and exporters must be listed in the commercial registry maintained by the Ministry of Industry and Commerce (MOIC), and be members of the Bahrain Chamber of Commerce and Industry (BCCI). Since July 2012, the company registration fee has increased to BD 50 per year previously BD 30.

3.8. Importers in Bahrain are not required to use a commercial agent. Bahrain has no laws or regulations on pre-shipment inspection. Goods received on a through-bill-of-lading, for a destination outside Bahrain and dispatched overland, are cleared on a transit bill. A deposit or guarantee is required by Customs Affairs, and is refunded on proof of exit of the goods from

¹ Where the certificate of origin is not available, a BD 10 deposit is payable until it is provided.

Bahrain within 30 days of the date of the transit bill. If the consignment is dispatched by sea, directly from the port (ship-shore-ship or ship-to-ship), the goods are cleared on a transshipment bill.

3.9. Customs duties are suspended for goods stored in government bonded warehouses, until re-export, whereupon they are cancelled. If the goods are not re-exported and are sold in Bahrain, the appropriate duties are levied. Customs may inspect all goods stored in bonded warehouses. Bahrain has seven customs offices.

3.10. In 2007, Bahrain implemented the Customs Automation System (eCAS), a computerized bilingual (Arabic/English) system, aimed at automating and managing all local customs activities relating to the movement of goods from and to Bahrain. According to the authorities, this system was not effective and was terminated in 2011.

3.11. In 2011, a new eCustoms System for Single Window and International Trade Facilitation known as OFOQ was established. OFOQ aims to provide integrated, seamless, electronic trade operations between Bahrain's customs and regulatory authorities and the trade and logistics operators. It is a single window platform for submissions and enquiries, with particular emphasis on reducing the cost and time of transactions whilst ensuring compliance through intelligent risk management. The system allows traders to expedite the release and clearance process of goods. OFOQ is fully operational at Bahraini ports and its airport. According to the authorities, around 90% of goods are released without inspection typically the same day.

3.12. In 2012, Bahrain acceded to the Revised Kyoto International Convention on the Simplification and Harmonization of Customs Procedures.

3.2.2 Customs valuation

3.13. No changes have been made to Bahrain's valuation methods since its last Review. Imported goods are valued on the basis of the transaction value. If the transaction value of the imported good cannot be determined the transaction value of a similar or identical good is used. If neither of these values can be determined, the valuation methods used are the deductive value, the computed value or the flexible method. The importer may request application of the computed value method before the deductive value method.² This request must be made in writing at the time of submitting the customs declaration. If the value cannot be determined using the computed value method, the goods will be valued using the deductive value method. Customs tariffs are valued on the c.i.f. value of imports.

3.14. The importer or any person liable for payment of the customs duties may object and appeal against the assessment of a customs value, without penalty, first at the administrative level to the head of a customs point and/or to the Customs Valuation Committee, then second, to an independent judiciary body.³

3.15. Since its last TPR, Bahrain has notified the GCC customs laws 2008 and 2012 to the Committee on Customs Valuation.⁴

3.2.3 Rules of origin

3.16. Bahrain applies non-preferential and preferential rules of origin. Under the non-preferential scheme, products are generally considered as originating from the country where they are wholly obtained or where they underwent substantial transformation, with at least 40% of local value-added. A certificate of origin produced by the original exporter and legalized by a recognized authority in the country of export, is required for import clearance. This applies within the GCC customs union.

3.17. Bahrain's preferential rules of origin are also generally based on a value-added content criterion, as in the case of the GCC customs union. However, for products imported from PAFTA,

² WTO document G/VAL/N/2/BHR/1, 17 March 2008.

³ Rules of implementation of the GCC Common Customs Law (Article 61 and 62).

⁴ WTO documents G/VAL/N/1/BHR/1, 6 May 2009 and G/VAL/N/1/BHR/2, 15 October 2012.

local value added of at least 40% is required in order to qualify for preferential treatment. Under the bilateral trade agreement with Singapore and with the United States, local value added of at least 35% is necessary. The latter agreement stipulates specific rules of origin for textiles, including a "yarn forward requirement".

3.2.4 Tariffs

3.2.4.1 MFN applied tariffs

3.18. Bahrain has a relatively simple MFN tariff, comprising 7,303 lines.⁵ All rates are *ad valorem* (except on tobacco), and there are no tariff quotas, and no nuisance rates. (Table 3.1) Bahrain's tariff is based on the GCC Common External Tariff, which consists of three rates: zero (11.1% of all tariff lines), 5% (87.4% of all lines) and 100% (0.01% of all lines) (Chart 3.1). Bahrain applies a 125% tariff on alcoholic beverages; and an alternate tariff of 100% *ad valorem* or a specific amount (whichever is higher)⁶ on tobacco products (Table 3.3).

Table 3.1 Structure of applied MFN tariffs in Bahrain, 2013

		2007	2013	Final bound ^a
1.	Bound tariff lines (% of all tariff lines)	72.7	70.6	70.6
2.	Simple average tariff rate	5.3	5.1	34.5
	Agricultural products (WTO definition)	7.4	7.5	37.6
	Non-agricultural products (WTO definition)	4.9	4.6	33.6
	Agriculture, hunting, forestry and fishing (ISIC 1)	3.3	3.0	35.7
	Mining and quarrying (ISIC 2)	4.9	4.9	35.0
	Manufacturing (ISIC 3)	5.4	5.2	34.4
3.	Duty-free tariff lines (% of all tariff lines)	5.9	11.1	2.0
4.	Simple average rate of dutiable lines only	5.6	5.7	35.5
5.	Tariff quotas (% of all tariff lines)	0.0	0.0	0.0
6.	Non- <i>ad valorem</i> tariffs (% of all tariff lines) ^b	0.3	0.4	0.0
7.	Non- <i>ad valorem</i> tariffs with no AVEs (% of all tariff lines) ^b	0.3	0.4	0.0
8.	Domestic tariff peaks (% of all tariff lines) ^{b, c}	0.9	0.9	0.2
9.	International tariff peaks (% of all tariff lines) ^{b, d}	0.9	0.9	68.6
10.	Overall standard deviation of applied rates	7.9	8.3	11.5
11.	Nuisance applied rates (% of all tariff lines) ^e	0.0	0.0	0.0

a Final bound rates are based on the 2013 tariff schedule in HS12 nomenclature.

b Prohibited items are not taken into account in calculations.

c Domestic tariff peaks are defined as those exceeding three times the overall simple average applied rate.

d International tariff peaks are defined as those exceeding 15%.

e Nuisance rates are those greater than zero, but less than or equal to 2%.

Note: The 2007 tariff is based on HS02 nomenclature consisting of 7,166 tariff lines (at 8-digit tariff line level).

The 2013 tariff is based on HS12 nomenclature consisting of 7,303 tariff lines (at 8-digit tariff line level).

In case of non-*ad valorem* tariffs, the *ad valorem* part is used for alternate rates.

Source: WTO Secretariat calculations, based on tariff information provided by the authorities of Bahrain, and WTO CTS database.

3.19. Duty free lines increased from 5.9% in 2007 to 11.1% in 2013, due to changes in the HS nomenclature.

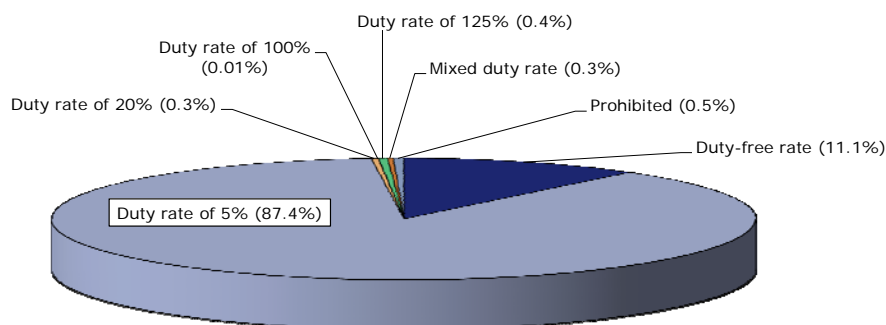
⁵ The 2013 tariff is based on HS12 nomenclature at 8-digit tariff line level.

⁶ The specific components of the alternate tariffs for tobacco and tobacco-related products are (HS code in parentheses): BD 2 per kg gross (2401.1000 to 2401.3090); BD 15 per kg (2402.1000 and 2402.9010); BD10 per thousand cigarettes (2402.2000 and 2402.9020); BD 4 per kg net (2403.1010 to 2403.9930); BD 0.6 per kg (2403.9940 and 2403.9950); and BD 4 per kg gross (2403.9990).

3.20. Bahrain's overall average MFN applied tariff is 5.1% (down from 5.3 in 2007). The coefficient of variation, at 1.6, reflects the zero rate and 100-125% tariffs applicable on a few items (Tables 3.2 and A3.1). On the basis of the WTO definition, tariffs average 7.5% in agriculture and 4.6% in non-agricultural products. Using ISIC (Revision 2), manufacturing is the highest protected sector at 5.2%, followed by mining and quarrying, then agriculture.

Chart 3.1 Applied MFN tariff distribution, 2013

(Share of total tariff lines)



Source: WTO Secretariat calculations, based on tariff information provided by the authorities.

3.21. On aggregate, Bahrain's tariff continues to display slight positive escalation, from first-stage processed products to semi-finished goods, and to fully processed products. This positive tariff escalation stems from the lower applied tariffs (on average) to agricultural raw materials. Further desegregation shows mixed results: in some industries (e.g. textiles and apparel, basic metal products) tariffs are uniform from the first to the final stage of processing. Otherwise, tariff escalation is mixed (negative from the first to the second stage, and then positive) in food and beverages, reflecting the high rates on tobacco and spirits, and in non-metallic mineral products. Escalation is slightly negative in chemicals and in paper and printing, because of duty-free imports of pharmaceuticals and certain books.

3.2.4.2 Tariff bindings

3.22. Bahrain has bound 70.6% of its tariffs. Most are bound at a ceiling rate of 35%; however, tobacco and alcohol products (24 lines) are bound at 100% and 200%, respectively.

3.23. Bahrain's average bound tariff is 34.5%. The overall average MFN applied tariff is 5.1% (Table 3.2).

Table 3.2 Bahrain's applied MFN tariff summary, 2013

	Number of lines	Average (%)	Range (%)	CV ^a	Duty free (%)
Total	7,303	5.1	0-125	1.6	11.1
HS 01-24	1,374	6.9	0-125	2.7	25.0
HS 25-97	5,929	4.7	0-20	0.4	7.9
By WTO category					
WTO agricultural products	1,194	7.5	0-125	2.7	22.3
Animals and products thereof	157	3.0	0-5	0.8	40.1
Dairy products	35	5.0	5	0.0	0.0
Fruit, vegetables, and plants	358	3.7	0-5	0.6	25.4
Coffee and tea	38	10.0	0-125	2.7	26.3
Cereals and preparations	183	3.5	0-5	0.7	30.1
Oils seeds, fats, oil and their products	100	4.9	0-5	0.2	3.0
Sugars and confectionary	40	6.4	0-125	3.0	32.5

	Number of lines	Average (%)	Range (%)	CV ^a	Duty free (%)
Beverages, spirits and tobacco	84	50.4	0-125	1.1	1.2
Cotton	5	5.0	5	0.0	0.0
Other agricultural products, n.e.s.	194	4.8	0-125	1.8	15.5
WTO non-agricultural products	6,109	4.6	0-20	0.4	8.9
Fish and fishery products	266	3.5	0-5	0.6	29.3
Minerals and metals	1,202	5.0	0-20	0.3	2.2
Chemicals and photographic supplies	1,259	4.6	0-20	0.4	9.1
Wood, pulp, paper and furniture	426	4.7	0-20	0.5	9.6
Textiles	718	5.0	0-20	0.1	0.6
Clothing	254	5.0	5	0.0	0.0
Leather, rubber, footwear and travel goods	212	5.0	5	0.0	0.0
Non-electric machinery	640	4.2	0-5	0.4	16.1
Electric machinery	313	3.4	0-5	0.7	32.6
Transport equipment	233	4.4	0-5	0.4	11.2
Non-agricultural products, n.e.s.	551	4.7	0-20	0.4	8.9
Petroleum	35	5.0	5	0.0	0.0
By ISIC sector^b					
ISIC 1 - Agriculture, hunting and fishing	504	3.0	0-100	3.0	53.6
ISIC 2 - Mining and quarrying	123	4.9	0-5	0.2	2.4
ISIC 3 - Manufacturing	6,675	5.2	0-125	1.6	8.0
By stage of processing					
First stage of processing	938	3.9	0-100	1.7	30.1
Semi-processed products	2,166	4.8	0-20	0.3	4.5
Fully processed products	4,199	5.5	0-125	1.9	10.2

a CV refers to coefficient of variation.

b International Standard Industrial Classification (Rev.2). Electricity, gas and water are excluded (1 tariff line).

Note: The 2013 tariff is based on HS12 nomenclature consisting of 7,303 tariff lines (at 8-digit tariff line level). In case of non-*ad valorem* tariffs, the *ad valorem* part is used for alternate rates.

Source: WTO Secretariat calculations, based on data provided by the authorities.

Table 3.3 Applied MFN tariff rates higher than bound rates in Bahrain, 2013

Tariff level	Product description	2013 applied tariff	Bound tariff
17049080	White chocolate containing alcohol	125	35
18063110	Other, in blocks, slabs or bars: filled, containing alcohol	125	35
18063210	Other, in blocks, slabs or bars: not filled, Containing alcohol	125	35
22072090	Ethyl alcohol and other spirits, denatured, of any strength: Other	125	35
23070010	Wine lees	125	35
24039950	Tobacco extracts and essences	100	35
24021000	Cigars, cheroots and cigarillos, containing tobacco	100% <i>ad valorem</i> with minimum charge of BD 15 per kg. Gross	35
24022000	Cigarettes containing tobacco	100% <i>ad valorem</i> with minimum charge of BD10 for 1,000 cigar	35
24029010	Cigars of tobacco substitutes (not containing tobacco or nicotine)	100% <i>ad valorem</i> with minimum charge of BD 15 per kg. Gross	35
24029020	Cigarettes of tobacco substitutes (not containing tobacco or nicotine)	100% <i>ad valorem</i> with minimum charge of BD 10 for 1,000 cigar	35
24031100	Water pipe tobacco specified in Subheading Note 1 to this Chapter	100% <i>ad valorem</i> with minimum charge of BD 0.600 per kg Gross	35
24031910	Chopped or pressed tobacco for smoking (cigarettes)	100% <i>ad valorem</i> with minimum charge of BD 4 per kg. Gross	35
24031920	Chopped or pressed tobacco for pipes	100% <i>ad valorem</i> with minimum charge of BD 4 per kg. Gross	35

Tariff level	Product description	2013 applied tariff	Bound tariff
24031930	Chopped or pressed tobacco for smoking (cigarettes)	100% <i>ad valorem</i> with minimum charge of BD 4 per kg. Gross	35
24031990	Other:	100% <i>ad valorem</i> with minimum charge of BD 4 per kg. Gross	35
24039100	Homogenised or reconstituted tobacco	100% <i>ad valorem</i> with minimum charge of BD 4 per kg. Gross	35
24039910	Pressed or liquored tobacco for making snuff	100% <i>ad valorem</i> with minimum charge of BD 4 per kg. Gross	35
24039920	Chopped or pressed tobacco for chewing	100% <i>ad valorem</i> with minimum charge of BD 4 per kg. Gross	35
24039930	Snuff	100% <i>ad valorem</i> with minimum charge of BD 4 per kg. Gross	35
24039940	Jirak	100% <i>ad valorem</i> with minimum charge of BD 0.600 per kg Gross	35
24039990	Other	100% <i>ad valorem</i> with minimum charge of BD 4 per kg net	35

Source: WTO Secretariat calculations, based on tariff information provided by authorities, and WTO CTS database.

3.2.4.3 Other duties and taxes

3.24. Bahrain does not apply other duties and taxes, except on some fresh agricultural products, where a municipality tax of up to 2% may be charged for statistical purposes. Bahrain bound other duties and taxes at zero, with the exception of 40 tariff lines (HS 08) for which they were bound at 2%.

3.25. Bahrain does not levy value-added tax (VAT) or sales tax.

3.2.4.4 Duty and tax concessions and exemptions

3.26. Bahrain grants tariff exemptions on raw materials, machinery, and equipment imported for local factories qualifying under the local and GCC Industries Laws (Law No. 1 of 2006). In addition, duty and tax concessions are granted to all industries or companies on imports necessary for their operational use. Duty-free imports are also allowed for, *inter alia*, international organizations, diplomatic missions, the armed forces, police, and charity institutions.⁷

3.27. Duty and tax concessions are granted under the import for re-export, temporary admission, or transit regimes. Importers using the import for re-export regime make a deposit or provide a bank guarantee in lieu of the duty payment, which is refunded/released upon proof of re-export. Goods remaining in Bahrain after 180 days are liable for duty payment. Goods declared under temporary admission, such as goods imported for exhibitions; equipment used in construction, scientific research, development projects; and items for repair or maintenance, must be re-exported within a maximum of three years. Importers do not need to hold a trading licence if they are engaged in re-export, temporary admission, or transit.

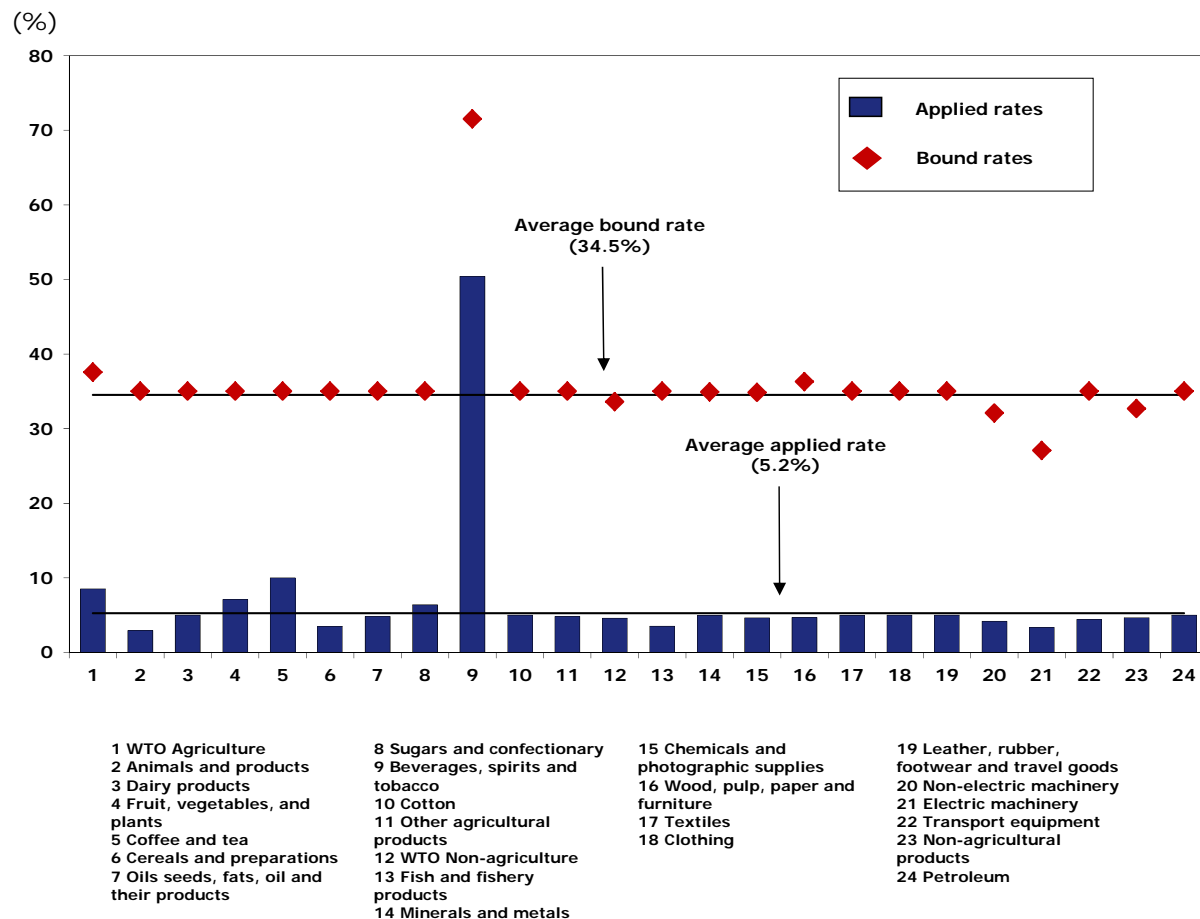
3.28. Duty drawback is allowed under Article 16 of the Executive Supplementary Notes to the GCC Customs Law. It permits exporters to recover the duty paid on an imported product once the product is re-exported from Bahrain. The qualifying conditions include: that the exporter is also the original importer of the product; that the original c.i.f. value of the re-exported goods is not less than BD 1,890 (around US\$5,000); that the goods are re-exported within three years of payment of the import duty, in the same condition and packaging as when they were imported; and that the exports are not restricted or granted protective duty under Bahraini Law, unless prior permission is obtained from the relevant authority.⁸ Proof is required that the goods being exported are identical to the goods that were imported. Customs imposes a service charge of 0.5% of the c.i.f. value of the goods if the customs duty did not exceed 20%; and 1% of the c.i.f. value of the goods with customs duty above 20%.

⁷ Section VIII of the Common Customs Law of GCC States specifies the agencies and goods exempt from duty.

⁸ Customs Handbook, Resolution No. 2 (1986) Regarding Drawback of Import Duty paid on foreign goods, on re-export.

3.29. Tariff concessions and exemptions are specific to each GCC member and may therefore differ from one State to another; except those under section VIII of the GCC Common Customs Law.

Chart 3.2 Average MFN tariff rates, by WTO product categories, 2013



Source: WTO Secretariat calculations, based on data provided by the authorities, and WTO CTS database.

3.2.4.5 Tariff preferences

3.30. Products from a GCC member circulate free of duty across the customs union. With the exception of tobacco and alcohol products, which are excluded from Bahrain's preferential arrangements, imports originating from the other members of PAFTA enter Bahrain duty free, provided that the goods meet the respective origin criteria (section 3.2.3 above). Products from Singapore and the United States benefit from preferential treatment (Table 3.4).

Table 3.4 Bahrain's applied MFN, USA FTA and Singapore FTA tariffs, 2013

	MFN		USA		Singapore	
	Average rate (%)	Range (%)	Average rate (%)	Range (%)	Average rate (%)	Range (%)
Total	5.2	0-125	0.6	0-125	0.9	0-125
HS 01-24	7.8	0-125	3.3	0-125	4.0	0-125
HS 25-97	4.7	0-20	0.02	0-4	0.2	0-20
WTO Agriculture	8.5	0-125	3.8	0-125	4.0	0-125
WTO Non-agriculture	4.6	0-20	0.02	0-4	0.3	0-20

Note: The 2013 tariff is based on HS12 nomenclature consisting of 7,303 tariff lines (at 8-digit tariff line level). In case of non-*ad valorem* tariffs, the *ad valorem* part is used for alternate rates.

Source: WTO Secretariat calculations, based on data provided by the authorities.

3.2.5 Import prohibitions, restrictions, and licensing

3.31. Under the GCC Common Customs Law, each GCC state determines its own list of prohibited or restricted products. According to the authorities, they do not foresee developing a common list. Imports that are prohibited in some GCC member states and permitted in others must not transit through the states in which they are prohibited. Transit of restricted imports is allowed.

3.32. In Bahrain, import prohibitions are maintained for various reasons, including environmental protection, health and safety, and religious and moral considerations (Table 3.5).

Table 3.5 Prohibited imports, 2014

HS Code	Product description	Reasons for prohibition	Responsible ministry
01.03.00.00	Live swine	Religious reasons	Ministry of Industry and Commerce
..	Drugs	Drugs and narcotics reasons	Ministry of Interior
..	Indian betel nut	Health reasons	Ministry of Industry and Commerce
40.12.00.00	Retreated or used pneumatic tyres of rubber	Safety reasons	Ministry of Industry and Commerce
..	The promotion of goods for all kind of cigarettes	Health reasons	Ministry of Industry and Commerce and Ministry of Health
..	Asbestos and articles of asbestos	Safety and health reasons	Ministry of Industry and Commerce
71.01.21.00 71.01.22.00 71.16.10.10	Cultured pearls	Assist regeneration of natural pearl industry	Ministry of Industry and Commerce
95.03.00.90	(Other) Models of aircraft its work by remote control	Security and safety reasons	Ministry of Interior
95.03.00.90	Children toys in the form of gun, with power	Security and safety reasons	Ministry of Interior and Ministry of Industry and Commerce
95.07.10.00 96.01.10.00 96.01.90.00	Ivory and articles of ivory	Preserve the natural environment	Ministry of Industry and Commerce

.. Not available.

Source: Information provided by the authorities.

3.33. Bahrain has notified the WTO Committee on Import Licensing Procedures that it has no import licensing system.⁹ Nonetheless, goods subject to import restrictions must be accompanied by certificates from the relevant authorities. Most of the import restrictions maintained by Bahrain are on safety, health or moral grounds, and apply to, *inter alia*, special breed horses, armaments, insecticides and fungicides, and radioactive materials (Table 3.6).

3.34. Food, plant, and animal imports that are restricted for health reasons, must be accompanied by sanitary and phytosanitary health certificates from the exporting country. Imports of food products must be accompanied by a certificate declaring them to be free of radiation and dioxin (section 3.4.2.2 below). In addition, pharmaceutical products must be imported directly from a manufacturer with a research department, and the products must be licensed in the country of manufacture and in at least two GCC countries other than Bahrain, one of which must be the Kingdom of Saudi Arabia.

⁹ WTO document G/LIC/N/3/BHR/2, 23 January 2012.

Table 3.6 Restricted imports, 2014

HS Code	Product description	Conditions for release of import	Authorizing ministry
01.01.10.10	Horses, of Arab breed	No-objection certificate from Equestrian and Horse Racing Club; and valid certificate from Veterinary Authority	Crown Prince Court and Ministry of Municipal and Agriculture Affairs
01.06.19.90 and 95.08.10.00	Other live wild dangerous and animals for circus only	No-objection certificate from Ministry of Interior; and valid certificate from Veterinary Authority	Ministry of Interior and Ministry of Municipal and Agriculture Affairs
22.07.20.19	Unadulterated ethyl alcohol of isopropyl, isopropanol	No-objection certificate	Ministry of Interior
28.44.40.10	Radioactive chemical elements and active isotopes	Permission	Ministry of Health
31.01.00.00 to 31.05.00.00	Animal or vegetable fertilizers whether or not mixed together or chemically treated	No-objection certificate	Ministry of Municipal and Agriculture Affairs
38.08.00.00	Insecticides and fungicides	No-objection certificate	Ministry of Municipal and Agriculture Affairs
73.26.90.99	Handcuffs made from iron and steel	No-objection certificate	Ministry of Interior
87.01.10.00	Pedestrian controlled four-wheel mini car	No-objection certificate	Ministry of Interior
93.00.00.00 to 93.07.00.00	Arms and ammunition, military weapons, and parts thereof; bombs, grenades, torpedoes, mines, missiles, and parts thereof, swords, cutlasses, bayonets, lances, and similar arms and parts thereof	No-objection certificate	Ministry of Interior

Source: Information provided by the Bahraini authorities.

3.2.6 Contingency measures

3.35. In 2009, Bahrain notified to the WTO that it has adopted a GCC Common Law on Anti-dumping, Countervailing Measures and Safeguards since 22 December 2003 and a related regulation dated 11 October 2004, relevant to the Agreements on Anti-dumping, Subsidies and Countervailing Measures and Safeguards.¹⁰ Bahrain has never taken anti-dumping, countervailing or safeguard measures. However, on the GCC level, two safeguard investigations were initiated in 2009 on imports of iron but were terminated without measures being taken in 2010. In 2011, Bahrain adopted the new GCC Common Law on Anti-dumping, Countervailing Measures and Safeguards (Law No. 48 of 2011).

3.2.7 Government procurement

3.36. Bahrain's Tender Board (TB) oversees and supervises all tendering, purchasing, and awarding processes related to the public sector and government-owned organizations. As an independent body that reports directly to the Council of Ministers, the TB is composed of a Chairman, Deputy Chairman, and seven other members. The term of office for members of the TB is two years, renewable only once¹¹; all are appointed by Royal Decree.

¹⁰ WTO documents G/ADP/N/1/BHR/2, G/SCM/N/1/BHR/1, G/SG/N/1/BHR/2, 17 July 2009.

¹¹ Article 9 of Legislative Decree No. 36/2002 allows for one third of the TB members to be reappointed for a further two-year term.

3.37. The tendering procedures specified in the Government procurement regime for local or international tenders¹² are: (i) public tender as the main method for the purchases of goods or construction; (ii) limited tenders, applied, for example, if there is a limited number of suppliers, or the intended purchase is of small value that does not justify a large number of bids; (iii) negotiated tenders, applied, for example, if no tender has been submitted at the end of public procedures, and when goods cannot be identified by precise specifications; (iv) direct purchase, if it is established that the needs can only be supplied by a single source; and (v) requests for proposals, the main method for services, through local or international advertisement, or in a specialized publication, or applications for pre-qualification.¹³ According to the authorities, an additional tendering method, the "two phase tender", is used when it is not feasible to draft detailed specifications for goods or to determine the characteristics of the services to obtain the best solution to meet the requirements of the procuring entity.

3.38. The TB must award the tender to the bidder who offers the best terms and the lowest price.¹⁴ The successful bidder must submit a performance bond within 10 days for local tenders or 20 days for international tenders of notification of the provisional intention to award the contract (this may be extended, in both cases, by a further 10 days). The amount of the performance bond is determined by the TB on the basis of the nature and value of the project.¹⁵ Successful bidders must be notified individually. All final awards are published in the *Official Gazette*, in the press, and on the TB's website.¹⁶ The TB also publishes online, both in Arabic and English, the weekly list of tenders that have been opened, those that will be opened during the year, and the dates of each tender.

3.39. In 2010, Bahrain amended its government procurement regime through Law No. 29 of 2010 amending the Legislative Decree No. 36 of 2002 with respect to "Regulating Government Tenders and Purchases". Some of the main changes cover the value of tenders that are conducted directly by the purchasing authorities. These are currently up to BD 50,000 for government-owned companies and BD 25,000 for ministries. In addition, the law was amended to make the Tender Board responsible for auctions covering the sale of goods and equipment, rental leases, and investments, as well as tenders. Other changes include allowing negotiations between the supplier and the purchasing authority regarding the price, upon approval of the TB; allowing the purchasing authority to process a variation order to an existing contract up to 15% of the contract value; and waiving the requirement of the initial bond, upon a substantiated decision and a request from a purchasing government authority.

3.40. Since the last TPR of Bahrain, the TB has implemented the first phase of a new full-fledged electronic tendering system (e-tendering), introduced in 2011. The system enables the government purchasing authorities to create and publish their documents on the e-tendering system. The suppliers are then allowed to use their credit cards to purchase and download the tender documents from the system. The rest of the tender process takes place outside the e-tendering system as per the current procedure. The second phase of this online system is intended to cover the whole tendering process and become operational in 2014.

3.41. Complaints may be submitted in the first instance, for reconsideration by the procuring entity and/or the TB, prior to the contract's entry into effect. A decision is to be taken within

¹² The criteria for choosing between local and international tenders are based upon the nature of the goods, construction or services to be purchased; volume; complexity; and standards required. The TB is empowered to select an international tender based on such criteria. Local tenders are limited to companies and organizations registered in Bahrain (GCC companies are considered as local), and are advertised in one or two local newspapers, or as deemed appropriate by the TB, while international tenders are advertised in Bahrain and abroad in both Arabic and English. In all cases, the TB may advertise in other media of wider circulation. Public procurement, through tendering, for BD 1 million or more must be advertised in the *Official Gazette*.

¹³ Requests for submissions of proposals may be made directly to a number of suppliers if: the services are unavailable except with a limited number of suppliers; the costs of the evaluation exceeds the value of the required services; and confidentiality or national interests so require (Article 51 of Legislative Decree No. 36/2002).

¹⁴ The TB estimates in monetary terms, where possible, all the criteria of comparison between tenders, such as maintenance costs and quality.

¹⁵ If the winning bidder fails to submit the performance bond within the deadline, he/she is deemed to have withdrawn from the tender, and cannot participate in tenders for at least one year. The performance bond is returned when a supplier or a contractor fulfils the terms of contract.

¹⁶ See TB online information. Viewed at: <http://www.tenderboard.gov.bh>.

30 days after the complaint is made.¹⁷ Judicial review is available for contractors or suppliers to challenge the decisions taken by the procuring entity or the TB before the competent law courts within 60 days after the decision is made. The Tender Board received a total of 102 requests for review and complaints during 2013. Most of the grievances were related to the procedures followed by purchasing authorities in issuing, evaluating, and awarding tenders.

3.42. Price preferences are given for goods produced in Bahrain and in other GCC states, provided that the prices of these goods are within specified margins of the value of their imported equivalents (10% for goods produced in Bahrain and 5% for goods produced in the GCC). In the context of Bahrain's regional and bilateral free-trade agreements, suppliers from the United States and Singapore will benefit from the same price preferences of 10%.

3.43. The Tender Board has awarded 17,258 tenders up until 31 December 2012, with a total estimated value of BD 9.2 million and an award value of BD 8.9 million. On 9 December 2008, Bahrain became an observer to the WTO Plurilateral Agreement on Government Procurement.

3.2.8 Other measures

3.44. Bahrain does not apply any sanctions apart from those adopted by the United Nations Security Council. No official countertrade or offsetting arrangements, or agreements designed to influence the quantity or value of goods and services imported by Bahrain are currently in force. The authorities indicate that no agreements have ever been concluded with foreign governments or foreign firms to restrict exports to Bahrain. Bahrain does not maintain any compulsory reserve stocks, and has never taken any measures for balance-of-payment purposes.

3.3 Measures directly affecting exports

3.3.1 Procedures

3.45. Like imports, exports may only be carried out by companies or individuals who are registered with the commercial registry at the Ministry of Industry and Commerce (MOIC) and are members of the Bahrain Chamber of Commerce and Industry (BCCI). Documents required for exports include the commercial invoice and a certificate of origin stamped by the Bahrain Chamber of Commerce and Industry.

3.46. Additional documentation may be required by Customs Affairs if exports of the products are restricted, e.g. if they are subject to permits.

3.3.2 Export taxes, charges and levies

3.47. According to the authorities, Bahrain does not apply any export duties or taxes.¹⁸

3.3.3 Export prohibitions, restrictions and licensing

3.48. Based on Law No. 18 of 1975 on Price Controls, the Minister of Industry and Commerce has the right to prohibit exports or re-exports on any product.¹⁹

3.49. Bahrain prohibits exports of some products, including certain foodstuffs and fuels (Table 3.7). Export restrictions apply to, *inter alia*, live horses, camels, and antiques (Table 3.8).

¹⁷ Complaints are to be filed within 10 days of becoming aware of the decision or action in case of local tenders, and 20 days in the case of international tenders. According to Article 56 of Legislative Decree No. 36/2002, a refusal must be substantiated. However, if no decision is taken with respect to the complaint within the 30 days, it shall be deemed as an implicit rejection.

¹⁸ Bahrain abolished export duties on 1 September 1986 and eliminated export fees on ready-made clothes in 2005.

¹⁹ Article 6.3 of Law No.18 of 1975.

Table 3.7 Prohibited exports, 2014

HS Code	Product description	Authority
0106.3920	"Bul-bul" bird	Crown Prince Court
2707.1000 2707.3000 2711.3100	All kinds of fuel as subsidized goods, like diesel	National Oil and Gas Authority
..	All kinds of flour as subsidized goods	Ministry of Industry and Commerce
0105.9410	Fresh chicken of trade mark "Delmon", as subsidized goods	Ministry of Industry and Commerce
..	Red meat as subsidized goods	Ministry of Industry and Commerce

.. Not available.

Source: Information provided by the authorities.

Table 3.8 Restricted exports, 2014

HS Code	Product description	Authority
0101.1010 0101.9010 0101.9020	Live horses	Equestrian and Horse Racing Club
0106.1910	Camels	Royal Court
0602.2010	Palm tree offshoot	Ministry of Municipality and Agricultural Affairs
..	Garbage, wastes	Public Commission for the Protection of Marine Resources, and Wildlife Environment
9706.0000	Antiques	Ministry of Information

.. Not available.

Source: Information provided by the authorities.

3.3.4 Export subsidies

3.50. In 2012, Bahrain notified to the WTO that it does not grant or maintain within its territory any subsidies within the meaning of Article 1.1 of the Agreement on Subsidies and Countervailing Measures, which is specific within the meaning of Article 2 of the Agreement, or which operates directly or indirectly to increase exports from or reduce imports into its territory within the meaning of Article XVI:1 of the GATT 1994.²⁰

3.51. Duty and tax concessions are also granted to exporters (section 3.2.4.4).

3.3.5 Export processing zones

3.52. Bahrain does not have free zones or export processing zones.

3.3.6 Export finance, insurance and guarantees

3.53. The Bahrain Development Bank (BDB), owned by the Government, is the primary financial development institution. It was established in 1992 to encourage and develop investment, meet the financing needs of small and medium-sized enterprises (SMEs), and help diversify Bahrain's economic base.²¹ The BDB facilitates exports by SMEs through, *inter alia*, export financing for goods manufactured in Bahrain, and project loans at market interest rates, as well as flexible grace periods (up to 3 years) and repayment terms. The BDB has plans to offer export credit guarantee programmes to SMEs.

²⁰ WTO document G/SCM/N/220/BHR, 24 January 2012.

²¹ BDB online information. Viewed at: <http://www.bdb-bh.com>.

3.3.7 Export promotion and marketing assistance

3.54. Export promotion activities are carried out by the Economic Development Board (EDB) in lieu of the Bahrain Promotions and Marketing Board (BPMB). Sectors that benefit from EDB export promotion activities include downstream aluminium and information technology and support services.

3.55. In 2012, Bahrain's Chamber of Commerce and Industry established an Export Development Centre to provide export advisory services to small and medium size enterprises (SMEs).

3.4 Measures affecting production and trade

3.4.1 Incentives

3.56. Bahrain offers various investment incentives to national and foreign investors. The incentives include short- and long-term loans with low interest rates from the Bahrain Development Bank for financing capital assets, and a core portion of working capital for small and medium-sized industrial projects; low rents for land in government industrial areas²²; low energy tariffs for production; and flexible regulations and procedures to import workforce.²³

3.57. Some incentives are provided in industrial zones. In the North Sitra Industrial Estate, foreign-owned firms have the same investment opportunities in these zones as Bahraini companies. Raw materials intended for processing in Bahrain, and equipment and machinery imported by Bahraini-registered firms are duty free.

3.58. The Bahrain International Investment Park (BIIP), established by the Ministry of Industry and Commerce (MOIC) in 2010, offers incentives including 100% foreign ownership; 0% corporate tax (with a 10-year guarantee); exemption from import duties on raw materials and equipment; duty-free access to all GCC markets (unlike free zones in the region); free trade access to the United States and Singapore; 100% repatriation of capital; no recruitment restrictions; and no minimum capital requirements.

3.59. Investors in industrial or industry-related zones are required to launch a project within one year from the date of receiving the land, and development must conform to the specifications, terms, and drawings submitted with the application. Changes are not permitted without approval from the Ministry of Industry and Commerce (MOIC). The Government provides electricity, water, and sewerage services at below-market costs. Support for infant industries was phased out in 2005.

3.4.2 Standards and other technical requirements

3.4.2.1 Standards, metrology, testing and certification

3.60. The Bahrain Standards and Metrology Directorate (BSMD)²⁴ within the Ministry of Industry and Commerce (MOIC) is the standardization body and the national enquiry point in Bahrain. The BSMD is responsible for standardization, metrology, conformity, and quality assurance. The BSMD prepares, revises, amends, and publishes approved Bahraini technical regulations and conformity assessments as well as Bahraini national standards, to meet international demands for quality, design, performance, safety and environmental impact of products and services. The BSMD also accepts and adopts, as appropriate, the technical regulations, standards, guides, recommendations of other foreign countries and of regional (Gulf and Arab States) and international organizations. The BSMD regulates eight product categories (Table 3.9).

3.61. The National Committee for Standards and Metrology (NCSM) is chaired by the Minister of Industry and Commerce and comprises representatives of stakeholders from relevant ministries, the Bahrain Chamber of Commerce and Industry (BCCI), and independent technical experts. The

²² As from January 2001, foreign firms may lease industrial land in Bahrain, for a maximum of 50 years. The Industrial Area Directorate at the MOIC oversees long-term land leases. Government lease arrangements are governed by Legislative Decree No. 28/1999 on the Establishment and Organizing of Industrial Areas.

²³ A new Labour Law No. 36/2012 replaced Law No. 73/2006.

²⁴ The BSMD was established in 1988 under Legislative Decree No. 16 of 1985.

NCSM is responsible for: (i) drawing up the policy of standards and metrology in Bahrain; (ii) forming Technical Committees that participate in the preparation of standards; (iii) approving national technical regulations and standards prior to their publication in the *Official Gazette*; (iv) proposing the fees to be charged for the services rendered by the Directorate of Standards and Metrology; and (v) adopting all resolutions of the Board of Directors of the GCC Standardization Organization (GSO) prior to their publication in the *Official Gazette* and implementation in Bahrain.

3.62. According to the authorities, Bahrain develops technical regulations and standards at the national level only if there is a pressing need. All technical regulations and standards must be adopted by the NCSM; all proposed standards or technical regulations related to food, vehicles and tyres, and oil and gas are examined by one of the seven NCSM technical committees, which has seven to ten months to approve it.

3.63. Bahrain had 6,693 national standards in place as of March 2013, of which 3,433 (50%) were adopted from international standards and 3,260 were based on modified international standards by the Gulf Standards Organization (GSO) or foreign standards. In addition, Bahrain has 1,601 technical regulations. Bahrain has a national technical regulation on local bread.²⁵ All standards and technical regulations are adopted by Ministerial Orders and then published in the *Official Gazette*. Technical regulations normally enter into effect after six months, unless there is an emergency situation.

3.64. All technical regulations in Bahrain apply equally to locally produced and imported products, with the exception of quality marks on gold. Regulated products are granted entry if they comply with the provisions of the applicable technical regulation and conformity assessment procedure (Table 3.9). Bahrain notifies the WTO of all draft technical regulations and conformity assessment procedures. Bahrain issued 310 notifications between 2007 and November 2013. It has not concluded any mutual recognition agreements.

3.65. At the GCC level, Bahrain continues to harmonize its technical regulations and standards. GCC-wide standards may be proposed/initiated by a body in a member country, and are formulated by the GSO, which is based in Riyadh. The proposal requires support from at least two member countries in order to be included in the GSO work programme. Once approved, GSO standards are circulated to all GCC member states for adoption. In general, GCC standards are based on international standards. Technical regulations are proposed by the Gulf Conformity Assessment Committee (GCAC), which is part of the GSO and its membership includes representatives from national standardization organization of GSO member states.

3.66. The BSMD, together with GSO and the other national standardization bodies of the GCC, established a Regional Conformity Assessment Scheme (RCAS) in 2007, with the support of the Joint Accreditation System of Australia and New Zealand. The RCAS is intended to develop a harmonized unified regional regulatory system for the custom union, and single entry point for GCC member states. The system introduced a conformity marking to indicate a product's conformity with the requirements provided in the related regulation. The scheme is composed of horizontal technical regulations applied to all products, and sectorial regulations for specific categories such as toys and electrical appliances.

3.67. The GCAC is responsible for proposing the unified Gulf technical regulation for the regional scheme, which is then approved by the GSO Board of directors and adopted by Member states. As of 1 January 2011, the Gulf Toys Technical Regulation was uniformly enforced in all GCC member states as the first product regulated under the regional regulatory system. In addition to toys, Bahrain adopted the Gulf horizontal technical regulations for GCC Conformity Marking by Ministerial Order No. 88 of 2011 and General Product Safety by Ministerial Order No. 88 of 2011.

3.68. In addition to standards, all precious metals, whether imported or locally produced, must be hallmarked. The quality mark is issued by the Assay Office. The GSO is developing a voluntary quality mark for the GCC area (Table 3.9).

²⁵ Since 2007, two other Bahraini-specific standards, on safety and warehouses for foodstuff, and general safety requirements for the products and their suitability for use have been converted to GCC standards.

Table 3.9 Import controls based on standards, 2014

Product	Category	Requirements
Tyres (passenger cars and trucks)	Mechanical systems and components for general use	Copy of: GSO conformity certificate for the models shipped stating compliance with the required standards; customs release document; and invoice of lot.
Motor vehicles (passenger cars and trucks)	Mechanical systems and components for general use	Copy of: GSO conformity certificate for the models shipped stating the compliance with the required standards; customs release document; and invoice of lot.
Car batteries – lead-acid starter batteries used for motor cars and internal combustion engines	Mechanical systems and components for general use	Copy of: GSO conformity certificate for the models shipped; and customs release document conformity certificate from the manufacturer complying with the technical regulation based on GCC standard No. 34-35/1984 for controlling lead-acid starter batteries used for motor cars and internal combustion engines, and its methods of test; the certificate is valid for one year.
Cement	Building materials	Pre-approval compliance with the physical, chemical and mechanical requirements from the Ministry of Works.
Cigarettes - general	Food and agriculture	Visual inspection of samples to ensure that: the nicotine yield shall not exceed 0.6 mg/cigarette, the tar yield shall not exceed 10.0 mg/cigarette, and the carbon monoxide yield shall not exceed 12 mg/cigarette. The following labelling information must be available: trade mark, number of cigarettes (max. 20 cigarettes per packet), name of producer or importer, packaging date (month and year), and batch number; customs release document; invoice of lot. The following warning shall be printed on the front of the packet in both Arabic and English with clear letter size not less than black 8: "Health warning: smoking is the main cause for lung cancer and diseases and for heart and arteries diseases". The colour of the packets or letters shall not affect the clarity of such warning.
Asbestos – importing, manufacturing, and circulation of asbestos materials and products	Chemical product	Documents stating that the item is free from asbestos: Conformity certificate from the manufacturer or declaration of "asbestos free products" on the package Otherwise: A sample from the consignment will be tested at the cost of the importer, and goods released/rejected according to the results.
Household electrical appliances	Electrical product – selected items	Approval of BSMD for importing electrical products; safety mark on the regulated products; customs release document; and invoice of lot Otherwise: A sample from the consignment will be tested at the cost of the importer, and goods released/rejected according to the results.
Toys – importing children's toy	Mechanical and chemical	A GSO Conformity mark on toys; and importer declaration of conformity with the Gulf technical regulation for toys' safety No.: BD 20507070.
Lavatory flush tanks	Building materials	None, under study
Weighing scales, weights, measuring tapes and meters	Metrology	A signed declaration for not selling the scales before obtaining calibration certification from BSMD.

Product	Category	Requirements
Food	Food and agriculture	Requirements are determined by the Ministry of Health for verification of conformity of food (Law No. 3/1985 concerning the control of foodstuff).

Source: Information provided by the authorities.

3.69. Bahrain is a member of the Arab Centre for Standardization and Metrology in the Arab Organization for Industrial Development and Mining (AIDMO); and a full member of the International Organization for Standardization (ISO), associate member in the International Electrotechnical Commission (IEC), and a correspondent member in the International Organization of Legal Metrology (OIML). Bahrain has also signed a memorandum of understanding on technical cooperation in standardization with ASTM International, Egypt, Iran, Jordan, Syria, Morocco, and Yemen.

3.4.2.2 Sanitary and phytosanitary measures

3.70. The Directorate of Public Health under the Ministry of Health is the national enquiry point on food safety. The Directorate of Plant Health under the Ministry of Municipal Affairs and Agriculture (MMAA) is the national enquiry point for plant health. Bahrain's notification authority on SPS is the Directorate of Foreign Trade Relations under the Ministry of Industry and Commerce (MOIC).

3.71. Since its last TPR, Bahrain has provided 126 SPS notifications to the WTO (since 2008). Recent notifications relate to draft mandatory standards on energy drinks, high fructose syrup, and molasses.²⁶ All SPS measures are published in the *Official Gazette*.

3.72. A health certificate and prior permission, from the MMAA are required to import live animals from all countries, including GCC countries. Health certificates are required for all birds; cats and dogs may be imported from all countries, but must be accompanied by a health certificate from the competent authority stating that the animal is free from rabies.

3.73. Imports of foodstuffs are inspected organoleptically²⁷ by the Ministry of Health to ensure that they are free from physical or visible contaminants. All meat and poultry products must be accompanied by an Islamic (Halal) slaughter certificate issued by an approved Islamic centre in the country of origin. All imported eggs must be individually stamped. Random samples are drawn from shipments for laboratory analysis according to a predetermined plan. All consignments that are imported for the first time are analysed before release. Results are assessed against GCC and Codex Alimentarius standards to ensure that imported food items are safe for human consumption. Unfit foodstuffs are rejected at the port of entry; they are either destroyed or returned to the country of origin (the decision is left to the importer).²⁸ According to the authorities, the same treatment applies to locally produced foodstuffs.

3.74. The Food Safety Committee oversees all food safety and control issues, including the imposition of product bans. The interagency committee comprises representatives from the Ministry of Health, the Directorate of Standards and Metrology, Director of Consumer Protection, MOIC and the Directorate of Agriculture, MMAA.

3.75. Since 2003, Bahrain has been applying the GCC Laws on Veterinary Quarantine and Plant Quarantine. Imports, exports, and domestic production of plants and animals are subject to inspection by the Agricultural Quarantine Unit (AQU) of the MMAA. The AQU also examines and issues SPS certificates for all agricultural products prior to their export.²⁹ All imports of plants must be accompanied by agricultural clearance certificates issued by the appropriate authorities in the country of export. Phytosanitary certificates are also required for imports of flour, rice, wheat seed, and agricultural seeds and plants.

²⁶ WTO documents G/SPS/N/BHR/123-133, 6 February 2014; G/SPS/N/BHR/123-125, 17 April 2012; G/SPS/N/BHR/126-130, 4 February 2014; G/SPS/N/BHR/131-134, 6 February 2014.

²⁷ Organoleptically refers to the physical properties of food, such as colour, smell, taste, and texture.

²⁸ Any complaint is examined by a Committee of experts, and a decision is made to accept or reject the consignment.

²⁹ WTO (2007) Trade Policy Review of Bahrain.

3.76. Bahrain is a member of the World Organization for Animal Health (OIE), the International Plant Protection Convention (IPPC), and Codex Alimentarius. Bahrain has also adopted the International Codex Standards regarding food additives, food contaminants, pesticides, and veterinary drugs. At the GCC level, the GSO food standards committee has been working to harmonize existing GCC standards within the guidelines of the Codex Alimentarius, ISO, and other international organizations. However, in some cases, differences still exist between some of the proposed new standards and international guidelines. As of April 2013, the GSO had developed more than 900 food and food related standards.³⁰

3.4.2.3 Marking, labelling, and packaging requirements

3.77. In 2010, Bahrain approved GSO standards for labelling (GSO 9/2007) and shelf life (GSO 150/2007) to replace Ministerial Order No.3/2004. General requirements for food packaging are regulated under GS 839/1999. In 2008, GSO standard 1683 was issued to regulate general requirements for plastic packaging.

3.78. Labels must be in Arabic; although a small number of products with labels only in English may be approved, on a case-by-case basis, for marketing test purposes. Small consignments of 20 cartons or less as well as ethnic food products may be exempt from the Arabic label requirements, provided prior authorization is obtained from the Ministry of Health.

3.79. Food labels must contain product and brand names, production and expiry dates, country of origin, name of the manufacturer, net weight in metric units, and the list of ingredients and additives in descending order of importance.³¹ Prior approval of food labels may be possible before imports. Goods with minor labelling infractions may be granted a one-time waiver, provided that the goods are safe for human consumption.

3.80. Bahrain has strict marking and labelling requirements for meat and poultry products, including that the product was slaughtered according to Islamic halal procedures, if so required. Products containing pork should be labelled accordingly. Packaged fresh or frozen meat and poultry must also carry the following information: bilingual labelling, of which one language must be Arabic; country of origin; production (slaughtering or freezing) and expiry dates, including the name of the month; shelf life of the product; metric net weight; and product identification. Pre-packaged processed meat and poultry must be accompanied by production and expiry dates as well as the net weight of the product.

3.4.3 Intellectual property rights

3.4.3.1 Overview

3.81. Since its last TPR, Bahrain has not made any substantial changes to its intellectual property regime. Most of its IPR legislation remains unchanged. However, it continues its harmonization efforts within the GCC, and in accordance with its commitments under the WTO TRIPS Agreement. To comply with international treaties, Bahrain has recently updated some of its legislation on trade secrets (Law No. 35) by amending Article No. 5 of Law No. 7 of 2003 and in geographical indications (Law No. 16 of 2006) by amending Law No. 16 of 2004. In addition, a law on plant varieties is in the legislative process (Table 3.10).³² Notifications of Bahrain's IPR legislation to the WTO remain overdue.

3.82. The main institutions responsible for intellectual property matters are the Industrial Property Directorate (IPD) of the Ministry of Industry and Commerce (MOIC), which includes the National Patent Office, the Trademark Office, and the Industrial Property Control Section; the Copyright Protection Office (CPO) within the Information Affairs Authority; the Directorate General of Customs within the Ministry of Finance, responsible for matters related to border measures; and courts of law, responsible for enforcement issues. At the GCC level, the GCC Patent Office is responsible for patent protection (based in Riyadh).

³⁰ USDA (2013).

³¹ GCC Technical Regulation No. 9 of 1995.

³² The proposed Plant Variety Bill grants breeders protection on new plant varieties. It is based on the UPOV Model law.

Table 3.10 Summary of IPR legislation in Bahrain

IPR	Main legislation	Duration of protection	Minimum duration of protection under TRIPS
Copyright	Law No. 22 of 2006 on Copyright and Neighbouring Rights	Life of author plus 20-70 years	Life of author plus 50 years
Patents	Law No. 1 of 2004 (as amended by Law No. 14 of 2006) on Patents and Utility Models	20 years from the date of filing for patents; and 10 years from the date of filing for utility models.	20 years from date of filing
Trade marks	Law No. 11 of 2006 on Trademarks	10 years, renewable indefinitely for periods of 10 years	At least 7 years; renewable indefinitely
Trade secrets	Law No. 35 amending Article No. 5 of Law No.7 of 2003 with respect to Trade Secrets and Law No. 12 of 2006 (amending Law No. 7 of 2003)	5 years for new pharmaceutical products and 10 years for new agricultural/chemical products (from date of approval)	No specific period
Geographical indications	Law No. 16 of 2004 on Protection of Geographical Indications Law No. 16 of 2006 amending Law No. 16 of 2004 with respect to Geographical Indications	Not specified	Unlimited
Integrated circuits	Law No. 5 of 2006 for Integrated Circuits	10 years from date of filing or the first commercial exploitation, whichever is earlier, and renewable for 5 years.	Ten years from first commercial exploitation
Industrial designs	Law No. 6 of 2006 for Industrial Designs	10 years, renewable for 5 years	At least 10 years
Plant varieties	New Plant Variety Law (draft)	Not specified	No specific period

Source: Information provided by the authorities.

3.83. Bahrain is party to various intellectual property treaties and conventions. It acceded to the WIPO Convention in June 1995; the Paris Convention on the Protection of Industrial Property in October 1997; and the Berne Convention on Literary and Artistic Works in March 1997. In December 2005, Bahrain acceded to five additional treaties: the Patent Law Treaty (PLT); the Madrid Protocol (Madrid Agreement Concerning the International Registration of Marks); the Nice Agreement on International Classification of Goods and Services; the WIPO Copyright Treaty (WCT); and the WIPO Performances and Phonograms Treaty (WPPT).³³ In March 2007, Bahrain also became party to the Patent Cooperation Treaty (PCT), and to the Trademark Law Treaty (TLT). According to the authorities, in November 2012 Bahrain became a contracting party to the Budapest Treaty on the International Recognition of the Deposit of Micro-Organisms for the Purpose of Patent Procedure. Bahrain is in the process of becoming party to: the Vienna Agreement Establishing an International Classification of the Figurative Elements of Marks; the Budapest Treaty on the International Recognition of the Deposit of Micro-Organisms for the Purpose of Patent Procedure; and the International Union for the Protection of New Varieties of Plants (Law No. 12 of 2005 accepting to join the international treaty of the Protection of New Plant Varieties).

3.4.3.2 Patents

3.84. Under Law No. 1/2004 (as amended by Law No. 14/2006) on Patents and Utility Models, technical inventions based on human necessities, performing operations, chemistry, physics,

³³ WIPO online information. Viewed at: <http://www.wipo.int/wipolex/en/profile.jsp?code=BH>.

pharmaceutics, biotechnology, and mechanics are patentable provided they are new, involve an inventive step, and are capable of industrial application. Pharmaceutical products are also patentable.

3.85. Patent protection is for 20 years from the date of filing, while protection of utility models is 10 years from the filing date. In both cases, annual maintenance fees (ranging from BD 40-76 for individuals and from BD80-152 for companies) are due from the beginning of the second year until expiry of the protection period. The decision to grant a patent or utility model is published in the *Official Gazette*. Once granted, a third party may request the IP authority to cancel the registration where a rejection is justified or if the patent was granted based on deceit.

3.86. The number of patent applications reached 165 in 2012, out of which only two were granted (Table 3.11). According to the authorities, the large number of patent applications is due to Bahrain's participation in the Patent Cooperation Treaty (PCT) since 2007.

Table 3.11 Applications for trademarks, industrial designs, and patents, and patents granted, 2009-12

	2009	2010	2011	2012
Trademark applications				
Resident	2,690	3,001	3,175	3,163
Non-resident	5,136	3,852	4,951	4,417
Total	7826	6,853	8,126	7,580
Trademark registrations	1,855	4,063	5,828	7,580
Industrial designs applications	86	60	54	70
Industrial designs registrations	37	96	44	78
Patent applications				
National	7	4	4	5
Patent Cooperation Treaty (PCT)	120	122	133	160
Total	127	126	137	165
Patents granted	0	2	0	2

Source: Bahraini authorities, last update November 2013.

3.87. The GCC Patent Office (GCCPO) is not a member of the Paris Convention, but it respects the Convention's rules. With regard to the PCT, of all the six countries of GCC, only Kuwait, has not yet deposited its instrument of accession to the PCT.

3.4.3.3 Copyright and related rights

3.88. Copyright protection in Bahrain covers books, pamphlets and other writings, lectures, sermons, dramatic works, musical works, musical compositions, cinematographic works, works of drawing, painting, architecture, sculpture, engraving, photographic works, works of applied art, illustrations, maps, plans, sketches and three-dimensional works, as well as computer programs. The neighbouring rights covered are performers, producers of sound recordings, and broadcasting organizations.

3.89. Bahrain's Law No. 22/2006 on Copyright and Neighbouring Rights³⁴ increased the term of protection (the author's lifetime plus 70 years), introduced protection of neighbouring rights, and provided retroactive protection. Moreover, the Law gives authors and their successors in title the right to authorize or prohibit the commercial rental to the public of originals or copies of their copyright works within the limits allowed under Article 11 of the TRIPS Agreement. It also provides for moral rights, and regulates acts permitted without the authorization of the right holder, such that those acts, whenever allowed, are within the limits stipulated under the Berne Convention and the TRIPS Agreement. In order to ensure protection and deter possible violations, penalties for copyright infringements were reinforced.

³⁴ Published in the *Official Gazette* No. 2745, 28 June 2006.

3.4.3.4 Trade marks

3.90. The procedures for application, publication, and registration of trademarks, service marks, collective marks, and certification marks are regulated by Law No. 11/2006. The definition of a trade mark is in line with TRIPS Article 15.1; where it allows for smell and sound to be "registrable" as part of the mark; and introduces a definition of the concept of certification and collective marks. The decision to grant a trade mark is published in the *Official Gazette* for opposition by any interested party within 60 days of publication. Other features of the law include the introduction of priority rights for registration of well-known trademarks, allowing for their protection even if they are not registered (as provided under the Paris Convention); and granting privileges to the holder of a registered trade mark.³⁵

3.91. According to the Law, a registered mark can be protected for ten years from the filing date; and the right holder may request renewal, for equivalent periods during the last year of the term of protection. Temporary protection for trademarks used in local and international exhibitions may also be granted. Registration may be cancelled by the Court if it is satisfied that the trade mark has not been used for an uninterrupted period of five years for no valid reason.³⁶

3.92. GCC common trade mark law adopted by the GCC supreme council in December 2012, has not been applied yet by member states. The purpose of the GCC Trademarks Law is to create unified implementing regulations for trade mark protection in all member states. However, unlike the GCC patent Law where applicants file only one application, through the GCC Patent Office, and the granted patent is protected in all GCC member states, the GCC Trademarks Law does not offer a unified filing system. Trade mark applications will continue to be filed separately in each GCC member state for protection.

3.4.3.5 Industrial design and layout-designs of integrated circuits

3.93. Law No. 5/2006 and Law No. 6/2006 on integrated circuits and industrial designs, respectively, specify requirements for registration, renewal, ownership transfer, and licensing. Protection for industrial designs and for integrated circuits is for ten years from the date of filing the application or the first commercial exploitation anywhere in the world (for integrated circuits only), whichever is earlier. It is renewable once, for five years.

3.94. Law No. 6/2006 adopts the definition of industrial designs provided for by Article 25.1 of the TRIPS Agreement, introduces the possibility of multi-designs per application for registration, and the concept of provisional measures as provided for by TRIPS Article 50. It also incorporates the priority right for registration as provided under the Paris Convention, and allows for temporary protection for designs displayed in international and local exhibitions. In addition, cumulative protection is permitted under other laws (such as copyright) and other agreements and conventions to which Bahrain is a party. The registration system is based on non-examination and the law allows for request for cancellation of registration either by IP authorities or by third parties after registration.

3.4.3.6 Geographical indications

3.95. The protection of geographical indications is regulated by Law No. 16/2004 (as amended by Law No. 16 of 2006) and is administered by the Trademark Office. Under Articles 1 and 3 of the law, geographical indications identify a good as originating in a territory or a region in a WTO Member, where the quality, reputation or other characteristics of the good, which affect the sales promotion thereof, are essentially attributable to its geographical origin. Such indications are protected provided that they have acquired protection in the country of origin. The law explicitly states that any person may claim more favourable protection granted to a geographical indication under any agreement, convention or treaty to which Bahrain is a party. The law excludes protection for a geographical indication that is not or ceases to be protected in its country of origin, or which has fallen into disuse in that country.

³⁵ For instance, owners may assign trade marks with or without the transfer of the business to which they belong.

³⁶ Under Article 4 of Law No. 11/2006, either use or intended use qualifies for registration.

3.4.3.7 Trade secrets

3.96. Law No. 12/2006 on trade secrets sets out measures to be taken against violations. Protection is for five years for new pharmaceutical products and ten years for new agricultural-chemical products, from the date market approval was granted. It also incorporates the provisions of Article 39 of the TRIPS Agreement on protection of undisclosed information, and extends coverage to data exclusivity. Since Bahrain is a party to the Paris Convention, Article 10bis of that Convention on Unfair Competition is considered part of Bahrain's national law.

3.4.3.8 Enforcement

3.97. Criminal sanctions are the same for infringement of all categories of IPRs. The penalty is a fine of BD 500 to BD 2,000 (US\$1,320 to 5,320) or a prison term of three months to one year, or both.³⁷ For repeat offenders, the upper limit of both the fine and imprisonment is doubled. In addition, the court may order the business premises to be closed for 15 days to 6 months and order the verdict to be published in a daily newspaper at the expense of the offender.³⁸

3.98. In the case of patents and utility models. Article 12 of Law No. 1/2004 implements Article 34 of TRIPS with respect to the reversal of the burden of proof in judicial proceedings, where the subject matter of a patent is a process for obtaining a product. It also provides for the reversal of the burden of proof (TRIPS Article 37.2), i.e. the burden of proof will be on the alleged infringer only if there is a substantial likelihood that the identical product (the subject of the claim) was made by the patented process and provided that the patent owner has been unable through reasonable effort to determine the process actually used.

3.99. During the last few years, Bahrain has made significant progress in reducing copyright piracy. Nevertheless, software piracy, which has shifted from retail to end-user violations, has been reported as problematic.³⁹ The Government's enforcement campaign is mainly based on inspections, closures, and improved public awareness. Since then, continuous monitoring by the CPO, both in Bahrain and, in cooperation with Customs, at the border, has ensured a decline in rates of piracy. The CPO has been granted significant power, including joint power with the police to arrest alleged infringers and confiscate goods suspected of violating copyright laws. According to the authorities, the CPO may also act in an ex-officio capacity against alleged infringers.

3.100. According to the authorities, most cases of copyright infringement in Bahrain relate to music and movies from Asia. Since 2007, 323 complaints have been made on imitation claims, the majority relating to trade mark protection.

3.4.4 Role of state-owned enterprises and privatization

3.101. The public sector in Bahrain continues to be one of the largest employers and still has a direct and strong influence on the economy. It includes the Central Government; the General Organisation for Social Insurance (GOSI), a pension fund for private sector employees and a workers' compensation fund for expatriates in the public sector; five municipalities; and several state-owned enterprises (SOEs).

3.102. The contribution of SOEs to the economy remains significant. Oil-related SOEs like Bahrain Petroleum Company (BAPCO) and Bahrain National Gas Company (BANAGAS) fall under the ambit of NogaHolding, a holding company under the National Oil and Gas Authority (NOGA) (section 4.3). However, strategic non-oil and gas-related assets are (partially) owned and managed by the state-owned Bahrain Mumtalakat Holding Company (BMHC). Companies under Mumtalakat include Aluminium Bahrain (ALBA) and Bahrain Telecommunications Company (BATELCO) (Table 3.12).

3.103. As part of its economic diversification strategy, the Government has been seeking to foster greater private sector participation in the economy. In 2008, the Privatization Committee was established by the Prime Minister to promote the privatization process of public enterprises and

³⁷ Article 41 of Law No.1 of 2004.

³⁸ WTO document IP/Q/BHR/1, 6 December 2001.

³⁹ U.S. Department of State (2011).

coordinate among the different stakeholders. The committee is chaired by the Minister of Finance with members from the Economic Development Board (EDB) and the Civil Service Bureau. The committee meets at least once a month. However, since Bahrain 's last TPR, the privatization programme has been slow. While some privatization has taken place, in particular in tourism and real estate, companies such as Gulf Air, Bahrain 's national carrier is now fully state-owned under the BMHC.

Table 3.12 Selected state-owned enterprises, 2013

SOE	Field of activity	State ownership (%)
I. Under Bahrain Mumtalakat Holding Company:		
Aluminium Bahrain (ALBA)	Aluminium	69.4
Bahrain Airport Company	Aviation	100
Bahrain Telecommunications Company (BATELCO)	Telecommunications	36.6
Bahrain International Circuit Company	Tourism (F1 racetrack)	100
Bahrain Flour Mills Company	Food	65.7
Bahrain Livestock Company	Food	25
Bahrain Real Estate Co (EDAMAH)	Real estate	100
General Poultry Company	Food	100
Gulf Aluminium Rolling Mill Company (GARMCO)	Aluminium	37.2
Durrat Khaleej Al Bahrain	Real estate	50
Southern Area Development Company	Real estate	28.1
Hawar Holding Company	Telecommunications	33.3
Arab Shipbuilding and Repair Yard Company (ASRY)	Manufacturing	18.8
National Bank of Bahrain	Financial services	49
Gulf Air	Aviation	100
McLaren Group Limited	Manufacturing	50
McLaren Automotive Limited	Manufacturing	41
Gulf Investment Corporation	Financial services	16.7
II. Under NogaHolding:		
Bahrain Petroleum Company (BAPCO)	Oil and gas	100
Bahrain National Gas Company (BANAGAS)	Gas	75
Gulf Petrochemical Industries Company (GPIC)	Petrochemicals	33.3
Bahrain Aviation Fuelling Company (BAFCO)	Fuels	60
Tatweer Lubricants	Crude oil	51

Source: Information provided by the authorities.

3.4.5 Competition policy and regulatory issues

3.104. Bahrain does not have any competition legislation or a single regulatory authority for competition. However, anti-competitive practices in, e.g. telecommunications and financial services, are regulated by the Telecommunications Regulatory Authority (TRA) (section 4.5.3) and the Central Bank of Bahrain (CBB) (section 4.5.2), respectively.

3.105. Under a new law on consumer protection, Law No. 35 of 2012, no harmful commercial or anti-competitive practices should take place.⁴⁰ The Consumer Protection Directorate, under the Ministry of Industry and Commerce (MOIC), continues to regulate unfair trade practices.

3.106. Price controls are regulated by Law 18 of 1975, as amended by Law 11 of 1977. Certain products, such as gas, flour, meat, local bread, poultry, petroleum, electricity, and water, as well as some services (e.g. air transport, postal, and tourism) are subject to consumer subsidies/price controls. In general, the prices set for these goods and services by the relevant companies are subject to approval by the Council of Ministers.

⁴⁰ Chapter 4 of Law 35 of 2012.

4 TRADE POLICIES BY SECTOR

4.1 Introduction

4.1. The Bahraini economy continues to be dominated by the oil sector and connected industries, although Bahrain's oil and natural gas reserves are limited. As part of its Economic Vision 2030, attempts are under way to diversify the economy particularly into financial services and manufacturing. The petroleum sector accounted for 24.6% of GDP in 2012 and 75% of government income.

4.2. Agriculture represents a meagre share of Bahrain 's economy. Due to lack of arable land and scarce water supply, Bahrain remains a net food importer. Agricultural production is supported through subsidies and preferential loans to farmers. The simple average applied MFN tariff for agricultural products is 3%.

4.3. The manufacturing sector continued to grow during the review period and constituted the third largest contributor to Bahrain's economy after hydrocarbons and financial services. As part of its diversification process, Bahrain has focused on high-value-added and energy-intensive industries such as aluminium, petrochemicals, metal products, and steel. These industries are primarily managed by large state-owned companies, most notably Aluminium Bahrain (ALBA) and Gulf Petrochemicals Industries Company (GPIC). Bahrain can authorize up to 100% of foreign investment in companies in the industrial sector. The simple average applied MFN tariff for manufacturing products is 5.2%.

4.4. Bahrain's services sector has continued to grow which represented around 58% of GDP in 2012. However, the sector as a whole was largely affected by the recent financial crisis as well as by the domestic tension in 2011. The financial sector, the cornerstone of Bahrain's diversification strategy, is well regulated by the Central Bank of Bahrain (CBB). In recent years, Bahrain has been focusing on developing its Islamic banking and its insurance subsector in an attempt to create a niche in a highly competitive market in the Gulf region. However, the size of the banking sector remains a key structural vulnerability; assets for retail banks and wholesale banks accounted for 248% and 390% of GDP, respectively, in August 2013.

4.5. The telecommunications market has been liberalized since 2003. Since the last Review of Bahrain, a mobile operator, Viva Bahrain has entered the market (2009), making it the third telecom provider after the partially state-owned BATELCO and Zain Bahrain. As the regulator of the market, the Telecommunications Regulatory Authority (TRA) undertakes periodic market reviews to ensure that operators do not hold significant market power or dominance.

4.6. Bahrain's transportation sector has been streamlined by the Ministry of Transportation (MOT) which has become responsible for the development of Bahrain's transportation infrastructure systems, including air, port and maritime, and land transportation. Important legislation has entered into force related to civil aviation and maritime transport which helps align air and maritime transport with international practices. After making large losses, in 2007, Gulf Air, the principal flag carrier of Bahrain was fully bought by the state holding company, Mumtalakat.

4.7. The tourism sector draws on Bahrain's cultural and historical heritage but also on its sports and business tourism potential. The sector was badly affected due to the domestic tension of 2011 with tourist arrivals plummeting by 32.7% but rebounded in 2012. In 2010, the Tourism Sector under the Ministry of Culture became responsible for Bahrain's tourism activities. Up to 100% foreign investment is allowed in the sector.

4.2 Agriculture

4.8. Agriculture (including fishing) is a small sector in Bahrain's economy, contributing 0.3% of real GDP in 2012 and 1.2% of total employment. Bahrain's arable agricultural land (around 6,200 hectare in 2010), suffers from limited water resources, poor and declining soil, and unfavourable climate.

4.9. Bahrain remains heavily dependent on imports to meet its domestic demand for most agricultural products: almost all cereals, vegetables, and livestock products are imported; Bahrain

is a net importer of agricultural products. Agriculture under greenhouse is used as a means to achieve higher self-sufficiency in various agricultural products, particularly high quality fresh vegetable crops. The main greenhouse crops produced are tomatoes, cucumbers, peppers, squash, eggplant, lettuce, strawberries, beans, and cut flowers.

4.10. The simple average applied MFN tariff for agricultural products¹ is 3% (down from 3.3% in 2007). Imports of some agricultural raw materials and basic food products are duty free. Alcoholic beverages are subject to the highest tariff rate (125%), while alternate tariffs apply to tobacco products (100% or specific duties, whichever is higher) (section 3.2.4.1).

4.2.1 Policy objectives

4.11. The Ministry of Municipalities Affairs and Urban Planning (MAUP) is in charge of policy formulation for crops and livestock. It is also responsible for enforcing sanitary and phytosanitary measures and providing technical assistance to farmers. The Plant Health Directorate, under the MAUP, is in charge of research in plant production, date palm and ornamentals, permanent fruit crops, soil and water, animals and fodder, technology transfer, and agricultural services (production of seeds and seedlings, soil, water, food, and feed analysis).

4.12. Bahrain's agricultural policy reflects overall economic policy, which emphasizes diversification of the production base. Development efforts in agriculture have included the promotion of intensified farming, increasing food self-sufficiency and conservation, and further development of existing agricultural resources. A two-phase plan covering 2004-15 is being implemented by the MAUP, in cooperation with the FAO, for sustainable agriculture development; it stresses the need to improve production and raise productivity in the sector.

4.13. Agricultural production in Bahrain is supported through, *inter alia*, the provision of subsidies: 84% of the cost of machinery services (for land preparation); 40% of the price of modern irrigation material, and 50% of the price of pesticides; 40% of the price of plastic sheet; 50% of the price of veterinary drugs and animal vaccines; and 5% of the price of local poultry meat (slaughtered by Delmon Poultry Company). Preferential loans are also provided to farmers intending to launch programmes to protect date palms, and other farming activities.

4.14. The Government currently provides food support (flour and meat) to all persons in Bahrain, through the sale of these products at below-market prices, although, non-subsidized meat products, priced substantially higher, are also available to consumers. Domestic agricultural production is also subsidized; the Government provides most inputs to farmers, such as material for irrigation, pesticides, and poultry feed, at below-market prices.

4.15. In 2013, certain export restrictions were put in place on local fish to maintain domestic fish prices.

4.3 Energy

4.3.1 Features

4.16. As part of its Economic Vision 2030, Bahrain aims to gradually shift from its economy's reliance on the hydrocarbon sector. The industry continues to be a significant contributor to the economy, accounting for 24.6% of GDP in 2012 and 75% of government revenue.

4.17. Although Bahrain aims to diversify the economy away from oil, the Government has attracted foreign direct investment of around US\$15 billion in the oil and gas industry over the coming 30 years by Occidental of the U.S. and Mubadala of the UAE, according to the Economic Development Board (EDB).

4.18. The National Oil and Gas Authority (NOGA) is responsible for the supervision, organization, and development of the hydrocarbon sector and its related industries. NOGA is chaired by the Minister of Finance, who is also the minister in charge of oil and gas affairs. In 2007, based on Royal Decree No.77, NOGA's subsidiary, NogaHolding was established as the investment and

¹ Major Division 1 of International Standard Industrial Classification (Revision 2).

development arm. In addition to taking part in all new investment projects, NogaHolding is in charge of administering the Government's shares in eight companies (Table 4.1).²

4.19. Bahrain does not have specific legislation governing the granting of rights for exploration and development of concession. Bidding for exploration activities is regulated by the Bahrain Tender board.

Table 4.1 Ownership structure of NogaHolding subsidiaries, 2013

Company	Noga-Holding Ownership	Other shareholders	Main activities
Bahrain Petroleum Company (BAPCO)	100%	-	Oil and gas exploration and prospecting for oil; production, refining, distribution of petroleum products and natural gas; sales and exports of crude oil and refined products
Bahrain National Gas Company (Banagas)	75%	12.5% Chevron Bahrain, and 12.5% Boubyan Petrochemical Company	Processes associated gas into marketable products of propane, butane and naphtha, which are exported worldwide; and supplies residue gas for local industrial use
Gulf Petrochemicals Industries Company (GPIC)	33.3%	33.3% Saudi Basic Industries Cooperation (SABIC), and 33.3% Kuwait's Petrochemical Industries Company (PIC)	Manufactures fertilizers and petrochemicals, using Bahraini natural gas as a feedstock; manufactures methanol, ammonia, and urea products, which are distributed to customers worldwide
Bahrain Aviation Fuelling Company (BAFCO)	60%	27% Chevron Bahrain, and 13% BP Middle East	Plane fuelling services at the Bahrain International Airport
Bahrain National Gas Expansion Company (BNGEC)	100%	Operated by Banagas	Processes associated gas into marketable products of propane, butane, and naphtha, which are exported worldwide; and supplies residue gas for local industrial use
Bahrain Lube Base Oil Company (BLBOC)	55%	45% Nestle Oil Company of Finland	Produces a lube base oil and exports it to international markets.
Tatweer Petroleum (Tatweer)	51%	Occidental Petroleum of the U.S., and Mubadala of the UAE	Development and growth of Bahrain field and gradual increase of the field production of oil and gas
Skaugen Gulf Petchem Carriers (SGPC)	35%	35% of Norwegian company Skaugen holding, and 30% Capital Management House	Transportation of petrochemical gases

Source: Nogaholding Company.

4.3.2 Petroleum

4.20. Oil was first discovered in Bahrain in 1932 and the country became the first in the Gulf region to successfully drill and commercialize production. Bahrain's oil reserves are limited, in comparison to its neighbours. According to the U.S. Energy Information Administration (EIA), Bahrain's oil reserves were estimated at 125 million barrels in 2012, lasting for about 10-15 years.³ Bahrain is an observer of the Organization of Petroleum exporting countries (OPEC) and is a member of the Organization of Arab Petroleum Exporting Countries (OAPEC).

² For more information on Nogaholding subsidiaries, see WTO (2007).

³ U.S. Energy Information Administration (EIA) online information. Viewed at: <http://www.eia.gov/countries/country-data.cfm?fips=BA>

4.21. Bahrain's crude oil is produced from two fields, the Bahrain Field, also referred to as Awali Field, in the southern part of the island, and the offshore Abu Sa'afa Field which is shared with the Kingdom of Saudi Arabia on a 50-50 basis. In 2012, Bahrain produced more than 63,000 barrels per day (bpd) of crude oil; about 74% of which from the Abu Sa'afa Field.

4.22. Although production from Bahrain Field amounted to 75,000 bpd in the 1970s, this figure had plummeted to 16,576 bpd by 2012. The Bahrain Field was considered to have been near the end of its productive life. However, to address decreasing output, Bahrain launched the Bahrain Field Development Project in 2008. The newly established Tatweer Petroleum drilled new oil wells and used the latest recovery techniques to extract heavy oil. According to the authorities, about 60-70% of Bahrain's reserves are recoverable; a significantly higher percentage than before.

4.23. Bahrain is a significant importer of crude petroleum, which, along with locally produced crude oil from the Awali field, is destined mainly for its refinery; crude oil from the Abu Saafa field is exported.⁴ In 2012, Bahrain's refining capacity was based on crude oil imported from the region, especially from the Kingdom of Saudi Arabia, by undersea pipeline (only one-sixth was obtained from wells in Bahrain).⁵ Major upgrades to the production capacity and infrastructure have been completed in Bahrain Petroleum Company (BAPCO)'s refinery. The major refined products are diesel, gas oil, fuel oil, kerosene, naphta, and gasoline.

4.24. In 2012, around 86 million barrels of petroleum products were exported; diesel accounted for over 30% (Table 4.2), two thirds of which were destined to Africa; gasoline and fuel oil were exported mainly to GCC countries. Domestic consumption of petroleum products has increased to 9.4 million barrels during the last few years; due mainly to major road construction, land reclamation activities, and the higher number of vehicles arriving from neighbouring countries. In 2012, gasoline (mumtaz) and diesel consumption in Bahrain reached 3.5 million and 2.6 million barrels, respectively.

Table 4.2 Production, consumption, and exports of oil, gas, and refined products, 2006-12

	2006	2007	2008	2009	2010	2011	2012
Production							
Crude oil ('000 barrels)	66,908	67,262	66,865	66,510	66,376	69,452	63,302
Abu Saafa field	53,823	54,710	54,838	54,760	54,741	53,936	46,726
Bahrain field	13,085	12,552	12,027	11,750	11,635	15,616	16,576
Natural and associated gas (million cubic feet)							
Associated gas	106,206	99,916	102,343	102,785	105,291	105,351	142,877
Khuff gas	381,726	407,755	435,890	440,640	451,351	446,766	448,807
Refined products Bahrain field	..	..	..	..	9,486	8,787	9,442
Crude run	94,429		94,815	94,224	97,472	94,531	97,464
Sales local consumption ('000 U.S. barrels)	7,559	8,250	8,981	9,011	9,111	8,603	9,427
Asphalt	254	354	355	420	397	331	337
Diesel	2,375	2,722	3,107	2,851	2,655	2,405	2,606
Jayed	2,058	2,062	2,035	2,040	2,118	1,967	2,117
Kerosene	173	173	211	204	189	195	193
LPG	460	488	518	551	557	569	605
Mumtaz	2,239	2,451	2,755	2,945	3,195	3,136	3,569
Exports ('000 U.S. barrels)							
Petroleum products	88,045	91,500	81,594	81,344	85,602	82,456	85,984
Asphalt	1,953	2,982	3,012	2,596	2,393	1,978	1,600

⁴ Abu Saafa petroleum has a higher sulphur content than output from the Awali oilfield.

⁵ The A-B pipeline extends 27 km over land and a further 27 km under the sea to reach the north-west of Bahrain.

	2006	2007	2008	2009	2010	2011	2012
Butane	179	249	454	339	528	543	440
Diesel	32,048	33,402	29,437	29,551	29,501	26,314	27,517
Feed stock	..	314	..	..	..	..	1,693
Fuel oil	18,8340	15,692	14,627	15,619	15,437	17,559	17,888
Gasoline	3,308	2,253	2,988	1,822	1,724	758	..
Jet fuel	18,949	21,747	15,425	16,414	19,370	19,693	19,520
Kerosene	703	849	744	209	139	..	..
Naphta	11,649	13,668	14,332	14,132	15,409	14,798	16,618
Propane	189	146	236	229	357	342	266
Sulphur	233	198	339	433	744	471	442
Petrochemical ^a	1,482	1,373	1,545	1,534	1,476	1,575	..
Liquid gas	3,704	3,503	3,568	3,589	3,771	3,933	..

.. Not available.

a Million tonnes.

Source: BAPCO (2012), *Annual Review 2012*, NOGA (2012), *Oil and Gas- Facts and Figures*; and information provided by the authorities

4.25. Government policy in the petroleum sector has focused on consolidating the oil industry, including the further developing of petroleum resources, expanding seismographic surveys, and enhancing developmental drilling.

4.26. Foreign investment in petroleum extraction is permitted through exploration and production-sharing agreements with the Government of Bahrain. In this regard, the Government has signed exploration and production-sharing agreements for oil and gas with several foreign petroleum companies. However the involvement of international companies is limited to minority ownership (Table 4.1).

4.3.3 Natural gas

4.27. Natural gas reserves in Bahrain are limited. Bahrain's estimates of proven natural gas reserves were around 3.2 trillion cubic feet in 2011. The majority of natural gas is non-associated.⁶ The main source of natural gas and energy in Bahrain is the Khuff gas reservoir near the Bahrain (Awali) Field.

4.28. Bahrain's entire natural gas production is consumed domestically. According to NOGA, in 2011, the Electricity and Water Authority (EWA) consumed the largest share (36%) for domestic electricity generation and water desalination; followed by Aluminium Alba with a share of 22%.

4.29. In 2012, natural gas production (natural and associated gas) was 591,684 million cubic feet; an increase of 17.5% from 2006. Associated petroleum gas is processed by BANAGAS and BNGEC into marketable liquid gas products.

4.30. Subsidies for natural gas have declined in recent years. As domestic reserves of natural gas start to decrease, the Government has announced plans to build a liquefied natural gas (LNG) import terminal to meet some of its demand.

4.3.4 Electricity and water

4.31. The Electricity and Water Authority (EWA) is the sole agency responsible for electricity generation, transmission, and distribution in Bahrain. The EWA's policy objectives include, *inter alia*, to provide a reliable, cost effective, and quality supply of electricity and water; to maintain, develop, and improve the transmission and distribution network to ensure highest standards of

⁶ Non-associated gas is not produced from crude oil.

efficiency and minimum energy loss; and to meet Bahrain's increasing demands for electricity and water consumption.

4.32. Independent water and power projects (IWPPs) owned and operated by private sector providers generate 79.03% of power and 68% of water requirements; their total output is connected to the national grid under purchase agreements between the EWA and IWPPs. Aluminium Bahrain (ALBA) generates electricity for its own energy needs, and meets 13% of Bahrain's energy requirements; the excess energy is offered to the EWA under a contingency supply agreement. Bahrain is connected to the GCC interconnection to meet any further contingency, and to trade or exchange power as agreed with other GCC member states.

4.33. Since 2011, Bahrain's electricity production has started to surpass consumption. In 2012, 14,104 GWH were generated, while consumption was 12,644 GWH.⁷ Bahrain generates electricity from seven major plants (Table 4.3).

Table 4.3 Electricity generation plants, 2013

	Plant	Operator	GWH	%
1.	Hidd Power Station	Hidd Power Co.	3679.46	28.46
2.	Al Ezzel Power Station	Al Ezzel Power Co.	2816.88	21.79
3.	Ad Dur Power Station	Ad Dur Power Co.	3638.00	28.14
4.	Riffa Power Station	EWA	1944.96	15.04
5.	Sitra Power Station	EWA	831.51	6.43
6.	Alba Power Station	ALBA	6.57	0.05
7.	GCC Interconnection	GCCIA	10.90	0.08

Source: Bahrain Electricity and Water Authority.

4.34. Domestic users consume around half of total electricity, followed by commercial users (about 30%) and industrial users. There are four consumer tariff categories, with a subsidized tariff in place for the industrial sector (since August 1990) and private hospitals (since November 2002) on the basis of an MOIC regulation. Electricity prices are set by the Cabinet, based on an EWA proposal. According to NOGA, the Electricity and Water Authority (EWA) consumed around 37% of Bahrain's natural gas, the largest user in 2011. Prices of electricity and water services are regulated by Law No. 1 of 2007.

4.35. Bahrain's water resources are scarce. Water production capacity is around 200 million gallons per day, of which 90% comes from desalinated water and the rest from natural resources such as ground water abstraction. The supply of electricity and water are highly subsidized in Bahrain.

4.36. In recent years, Bahrain has recognized the importance of renewable energy sources as an alternative source of power. Two renewable energy projects are being implemented: the 5 MW solar plant in Awali, with roof panels and connection through a smart grid, is a joint-venture between BAPCO, NOGA and two U.S.-based firms, Caspian Energy Holdings and Petra Solar; and the second project is a combined solar/wind plant in the south with a capacity of 3 MW and 2MW for solar and wind, respectively.

4.4 Manufacturing

4.4.1 Features

4.37. As part of its diversification strategy away from oil, Bahrain has been expanding its manufacturing sector in recent years. In 2012, the manufacturing sector constituted the third largest sector of the economy after hydrocarbons and the financial sector, accounting for 15.2% of real GDP and 13% of total employment. In 2012, non-oil manufactured goods comprised 20% of total goods exports.

⁷ Bahrain Central Informatics Organization online information, *Energy*: http://www.cio.gov.bh/cio_ara/English/Publications/Statistical%20Abstract/ABS2012/Ch14/1.pdf.

4.38. Bahrain's main industries are energy-intensive such as aluminium, petrochemicals, metal products, and steel. Other industries include cement, food processing, and shipbuilding. The majority of leading companies in the manufacturing sector are large, partially state-owned enterprises.

4.39. As a result of the global financial crisis, manufacturing output declined. However, due to the large size of Bahrain's manufacturing corporations and the relatively inelastic demand for their products (mainly aluminium and petrochemicals), the industry managed to rebound quickly.

4.40. The Ministry of Industry and Commerce (MOIC) is the main regulator of the sector, and is responsible for registration, licensing, and industrial standards (section 3.2.1). The EDB is responsible for investment promotion.

4.41. In 2013, the simple average MFN tariff on manufacturing was 5.2% (5.4% in 2007).

4.4.2 Policy objectives

4.42. Bahrain's development strategy, Vision 2030, highlights the importance of the manufacturing sector as a key driver for the Bahraini economy and diversification process. The strategy sees Bahrain as a centre for high-valued added manufacturing, leveraging geographical and regulatory advantages, as well as its low cost-base compared with other countries in the region.

4.43. Based on the Commercial Companies Law (No. 21 for 2001) (section 2.7), up to 100% of foreign investment is permitted in companies in the industrial sector depending on the activity to be undertaken. Bahrain offers various investment incentives to national and foreign investors in the manufacturing sector (sections 2.6 and 3.4.1).

4.4.3 Aluminium

4.44. The aluminium industry is Bahrain's main manufacturing subsector. The aluminium company, Aluminium Bahrain Company (ALBA), is one of the largest in the world. With over 3,000 employees, ALBA employs 90% Bahraini nationals. It is a joint-venture between the Saudi Arabian Basic Industries Corporation (SABIC), which holds around 20.62% and Mumtalakat, with 69.38% of the company's shares. The remaining 10% are floated on Bahrain Bourse.

4.45. The Invest Aluminium Bahrain Programme was set up to attract foreign investment into the industry. The programme was created by the Ministry of Finance, the Ministry of Industry and Commerce (MOIC), and the EDB, with the cooperation of UNIDO, with the aim to: capitalize on the global potential for Bahrain by developing aluminium downstream industries; create more job opportunities for Bahrainis; enhance export earnings; and achieve greater value added.

4.46. ALBA's average annual production grew at nearly 890,217 tonnes in 2012. Around 46% of ALBA's output is directed toward Bahrain's downstream aluminium industry, while the rest is exported to the Middle East, Europe, Asia, Africa, and North America.

4.47. ALBA's high-grade output has created significant opportunities in downstream aluminium manufacturing, especially for the automotive sector. The highly developed, midstream sector includes firms such as Gulf Aluminium Rolling Mill Company (GARMCO), Bahrain Aluminium Extrusion Company (BALEXCO), Midal Cables, and Bahrain Alloys Manufacturing Company (BAMCO). Exports include aluminium rods, cold rolled coil, alloys, and extrusion products used in doors and window frames, as well as passenger cars and truck wheels.

4.4.4 Petrochemicals

4.48. The petrochemical industry is the second-largest manufacturing subsector in Bahrain after aluminium; the Gulf Petrochemicals Industries Corporation (GPIC) is the main player. GPIC is a joint venture between Nogaholding, Saudi Basic Industries Cooperation (SABIC), and Kuwait's Petrochemical Industries Company (PIC), with each owning an equal share of 33.3%.

4.49. Using Bahraini natural gas as a feedstock, GPIC manufactures fertilizers and petrochemicals such as methanol, ammonia, and urea products. In 2011, GPIC's petrochemical exports included 666,634 tons of urea, 435,286 tons of methanol and 71,536 tons of ammonia. The main export market for urea products was the United States, accounting for 53% of total exports, followed by Australia and Pakistan (13% each), India (11%), and Thailand, South Africa and Viet Nam (3% each). The main export markets for ammonia were the Republic of Korea (53%) and India (47%).

4.5 Services

4.50. Services accounted for around 58% of Bahrain's GDP in 2012, and employed over 14,000 people. Financial services accounts for the largest share (15.8% of total GDP), followed by government services (11.4%), transport and communication (6.4%), construction (6%), real estate (5.1%), insurance (5%) and trade (4.5%). Most services sectors were strongly affected by the global financial crisis of 2008-09 and the domestic tension of 2011; in particular the financial sector.

4.51. In its GATS Schedule of specific commitments, Bahrain bound only one sector, financial services. For banking and other financial services, Bahrain bound the existing legal framework, while in insurance services; the applied policy appears to be more liberal than its commitments. In addition, some sectors, such as tourism and transport, while not included in Bahrain's GATS commitments, are significantly liberalized.

4.52. Under Bahrain's horizontal commitments, commercial presence is permitted only in the form of a joint-stock company, and acquisition of land or property is not allowed. Bahrain has no MFN exemptions under Article II of the GATS.

4.5.1 Banking, finance, and insurance

4.5.1.1 Overview

4.53. During the review period, Bahrain's financial sector proved its ability to withstand the global financial crisis and the 2011 domestic unrest. Neither the Government of Bahrain nor the CBB needed to step in to help retail banks, which continued to perform well. The CBB pursued the strategy of advising banks to merge, with the aim of creating strong financial entities, able to absorb all types of shock to the financial system.

4.54. Bahrain's financial system is well-regarded in the region, with a strong and predictable regulatory environment. It has a number of advantages such as its reputation for being well-regulated with a strong legal framework; its innovation in developing all forms of Islamic finance and establishing institutions to promote the deepening of Islamic financial markets; the availability of a well-qualified workforce of nationals and expatriates; and reasonable operating costs. The level of observance of financial policy standards is generally high. According to the authorities, the provisions of the Basel III capital accord will be introduced in stages. However, more sophisticated onshore financial regulation in neighbouring countries, such as the Kingdom of Saudi Arabia and UAE (Dubai), may require Bahrain to increasingly play the role of a financial "back office" for the GCC region, providing legal or accounting services, as well as niche financial services, including sharia-compliant.

4.55. As at November 2013, the financial services landscape in Bahrain had 402 financial institutions grouped into five categories: 99 banks (28 retail, 71 wholesale); 158 insurance and insurance-related firms; 49 investment business firms; 28 capital market licensees; and 79 specialized licensees. In 2013, the subsector contributed 17.1% of Bahrain's real GDP, making it the largest non-oil contributor to the economy.

4.56. The Central Bank of Bahrain and Financial Institution Law No. 64 of 2006 is the legal framework regulating all financial services in Bahrain; and the Central Bank of Bahrain (CBB) is the single regulator for all financial services.

4.57. Since early 2013, the CBB has been focused on the new Basel III standards, corporate governance, and monitoring fees, charges and interest rates on behalf of retail consumers. The

CBB is expected to introduce regulation to boost corporate governance by adding transparency and accountability in executive compensation.

4.5.1.2 Banking

4.58. As of August 2013, Bahrain had 75 conventional banks in operation, (22 retail and 53 wholesale) and 24 Islamic banks (6 retail and 18 wholesale). Retail banks cover all commercial banks while wholesale banks cover offshore banking units (OBUs) and investment banks (IBs). Wholesale banks are allowed to undertake individual onshore transactions above US\$18.5 million in deposits and the provision of credit, and above US\$250,000 for investment business transactions, including the sale of investment products.

4.59. The size of the financial sector remains a key structural vulnerability of the banking sector due to the large share of total assets of banks as a percentage of GDP (Table 4.4). Total assets of wholesale banks declined from US\$164 billion in 2006 to US\$118 billion at the end of August 2013, due to the impact of the global financial crisis.

Table 4.4 Structure of the banking system, August 2013

(US\$ million)

	Number of institutions	Total assets	Asset shares in group	Assets as % of GDP ^a
Retail banks	28	75,150	100	248
Local	13	50,930	68	168
Branch	15	24,220	32	80
of which Islamic	6	15,270	20	50
Local	6	15,270	20	50
Branch	0	0	0	0
Wholesale banks	71	118,332	100	390
Local	30	49,637	42	164
Branch	41	68,695	58	226
of which Islamic	3	10,947	10	36
Local	17	9,721	9	32
Branch	1	1,226	1	4

a 2012 GDP.

Source: Central Bank of Bahrain.

4.60. In August 2009, the CBB imposed new regulations to limit real estate lending to 30% of banks' total loan portfolio. These measures were introduced to diversify risk after the previous high real estate exposure. Several mergers of financial institutions took place in 2013. Mergers among Bahraini lenders were encouraged by the CBB, especially among smaller Islamic banks, which were hit hard by the domestic real estate crisis. The CBB aims to transform banks into strong financial institutions that can compete on a regional and global level.

4.61. Licensing procedures for establishing a bank are the same for Bahraini and foreign-owned banks. The CBB does not impose any restrictions on applications received from foreign-owned banks or financial institutions; foreign ownership of locally incorporated banks may be up to 100%. Applicants must apply to the CBB for a licence to undertake regulated activities in or from Bahrain. The CBB may attach terms and conditions it judges appropriate for the granting of a licence. The licensing criteria and procedures are under regular review by the CBB and may be updated periodically after consulting with the industry. A licence is granted through a recommendation made by the Licensing Committee to the Governor of the CBB; the latter approves and grants the licence. As of January 2013, the CBB had granted 17 licences during the review period.

4.62. Banks may be universal or specialized; they must not operate insurance companies or branches of insurance, although they may engage in stockbroking through subsidiaries. There is no requirement for domestic companies to employ specified banking companies for certain services.

4.63. According to the IMF, Bahrain has the highest foreign ownership of foreign-owned banks by total assets, at 57%.⁸ Foreign ownership of locally incorporated retail and wholesale banks is allowed up to 100%. There are no national management requirements, including for board members and senior executives, but an ongoing "fit and proper test" is applied. The "fit and proper test", according to the authorities, refers to the experience, integrity, and suitability of persons holding senior positions in a bank; factors considered include qualifications and the financial history of the person concerned. There are no explicit limitations to employment of foreign nationals; though emphasis is on the employment of Bahraini nationals wherever appropriate (section 1.2.2). Foreign-based retail banks may raise funds from or grant loans to residents, and may own and operate branches in Bahrain; there are no restrictions on the level of foreign equity ownership in branches. They also have access to credit and deposit insurance in the local market and are free to install any equipment they require for their activities.

4.64. Banks are required to maintain a 5% deposit in unremunerated reserves at the CBB (including unrestricted investment accounts in Islamic banks); reserve balances must be maintained continuously throughout the subsequent month. State-owned banks, like the Housing Bank and the BDB, grant preferential loans (section 3.3.6). Rules and regulations governing preferential lending are set by the Ministry of Finance. The housing sector, small businesses, and project finance receive preferential lending.

4.65. The variety and popularity of Islamic instruments have surged since Bahrain's last TPR. As of January 2013, Bahrain had 6 retail banks and 18 wholesale banks with Islamic licences. Consolidated assets of Islamic banks grew from US\$12.2 billion at end 2006 to US\$23.1 billion at end 2013. This trend is likely to continue over the coming years.⁹ Regulated services consist of three main activities: acceptance of Sharia money placement/deposits; management of Sharia profit-sharing investment accounts; and offering of Sharia financing contracts. Various supplementary activities may also be undertaken. Islamic bank licences are divided into two categories: conventional retail banks and conventional wholesale banks.

4.66. Bahrain hosts the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). An international autonomous non-profit corporate body, AAOIFI prepares accounting, auditing, governance, ethics, and Sharia standards for Islamic financial institutions. It was created in 1991 and has 26 members.¹⁰ The CBB requires the adoption of AAOIFI recommendations on the computation of capital adequacy, which recognizes the risk undertaken by investment holders.

4.67. In order to ensure effective compliance with relevant standards and to preserve Bahrain's strong reputation as a well-regulated financial centre, the CBB maintains a Compliance Directorate tasked with leading the CBB's anti-money laundering efforts. The Compliance Directorate also handles complaints from the public relating to CBB licensees, and receives information on financial crimes, such as fraud attempts. An Anti-Money Laundering Unit (AMLU), within the General Directorate of Criminal Investigation at the Ministry of the Interior, is responsible for anti-money-laundering activities.

4.5.1.3 Securities

4.68. Bahrain Bourse (BHB) was established as a shareholding company according to Law No. 57 of 2009 and Law No. 60 of 2010 to replace the Bahrain Stock Exchange (BSE). The CBB regulates and supervises all of the bourse's activities.

4.69. The BHB remains a low-volume market compared to regional and global equity markets. It accounted for less than 1% of the aggregate GCC market capitalizations as of December 2012. As of November 2012, there were 47 companies listed on the BHB. Initial public offering activity has been extremely limited since the early 2000s.

⁸ IMF (2010).

⁹ Central Bank of Bahrain online information. Viewed at: <http://www.cbb.gov.bh/assets/MSB/MSB-Dec-2012.pdf>.

¹⁰ The members are: Algeria, Australia, Bahrain, Bangladesh, Brunei, Cayman Islands, Egypt, Indonesia, Iran, Jordan, Kenya, Kuwait, Lebanon, Malaysia, Pakistan, Palestine, Qatar, Russian Federation, the Kingdom of Saudi Arabia, South Africa, Sri Lanka, Sudan, Republic of Yemen, Tunisia, Turkey, and the UAE (AAOIFI online information. Viewed at: <http://www.aaofi.com/main/main.html> [20 September 2006]).

4.70. Three main indexes are used to track the performance of the Bahraini stock market – Bahrain All-Share, Esterad, and Dow Jones Bahrain. Bahrain Bourse market activity was relatively high during the review period, with a peak in 2008 in the lead up to the global financial crisis, followed by a considerable slow-down with an average of 16.2% overall market turnover during the period January 2009 to end of first quarter 2013; the three indexes plummeted by around 41.9% in January 2009.

4.71. Bahrain's total market capitalization fell from US\$27,536 million in 2007 to US\$17,462 million at the end of August 2013 (Table 4.5).

Table 4.5 Market capitalization, August 2013

(US\$ million)

Sector	2007	2008	2009	2010	2011	2012	August 2013
Commercial banks	9,309	6,714	5,407	6,811	6,348	6,174	7,867
Investment	13,219	8,957	6,755	5,944	4,455	4,290	4,012
Services	4,090	3,297	3,127	2,828	2,312	2,501	2,503
Industrial	44	39	47	3,453	2,530	1,669	2,171
Hotels and tourism	329	405	467	570	508	493	480
Insurance	544	535	460	453	436	405	430
TOTAL	27,536	19,947	16,263	20,060	16,590	15,532	17,462

Source: Bahrain Bourse BHB.

4.72. The BHB, located in the Bahrain Financial Harbour is responsible for overseeing the organization and regulation of securities trading in Bahrain, replacing the Bahrain Stock Exchange (BSE).¹¹ Its main duties are to ensure that dealings in securities are proper and sound, and that the Clearing, Settlement, Depository, and Registry System (CSDR) operator complies with any relevant requirement.

4.73. Companies listed on the BHB must: (i) comply with Law No. 21/2001 (Commercial Companies Law); (ii) issue annual audited financial statements and hold annual general meetings within three months following the end of their financial year; (iii) have no less than 100 registered shareholders; (iv) have net worth (assets) at least 20% in excess of paid-up capital; and (v) have total annual sales (turnover) of not less than BD 500,000.¹²

4.74. The CSDR covers settlement risks through the Guarantee Contribution Fund (GCF) for non-government securities.¹³ The BHB uses GCF assets as collateral for the credit facilities provided by the Settlement Bank¹⁴, to settle obligations arising from securities transactions concluded on the BHB for individuals who fail to pay, or if the liquidity reserve funds are insufficient to fulfil obligations pertaining to the concluded transaction on the BHB.¹⁵

4.75. The GCF is managed by a three-member special committee, appointed by the Chairman of the BHB's Board of Directors, for a period of three years. The committee is constituted by: the Chairman representing the BHB; a representative of the brokerage companies (to be nominated by the BSE); and a representative of the Settlement Bank. The BSE charges a management fee of 0.25% of the amount of the Guarantee Fund per year. Upon admission to the CSDR Class (A)

¹¹ Law No. 6/2010.

¹² For more information on the regulatory framework of the BHB, see <http://www.bahrainbourse.net/bhb/regulations.asp?page=regulations&sec=Fees#>.

¹³ Resolution No. 4/2000 on the establishment of a Guarantee Contribution Fund at the BSE, 28 November 2000.

¹⁴ The regulated bank that provides the BHB and its participants with the necessary facilities to effect payments relating to the settlement of securities transactions.

¹⁵ If the Fund has been reduced by more than 50% of its original value, the BHB may terminate its trading, clearing, and settlement services to all participants.

brokers, pay a fixed minimum of BD 50,000 and other brokers pay BD 25,000 (US\$132,980 and US\$66,490, respectively).¹⁶

4.76. Based on Decree Law No. 21/2002, BHB is administered by a Board, chaired by the Governor of the Central Bank of Bahrain. The CBB also issues guidelines and rules on the capital market; renews the licences of all stockbrokers' members of the BHB; inspects all the BHB's brokers; approves prospectuses for IPO's and the offer documents for other issues; gives approval for any off-market transactions; and approves all amendments to the internal regulations or rules of the BHB.

4.77. The activities of Financial Trusts are regulated by Law No. 23 of 11 July 2006. New mandatory disclosure standards entered into force on 1 January 2004, for all listed companies quoted on the BHB. The fees or charges imposed by the BHB or CSDR in its capacity as an exchange or clearing house must be approved by the CBB. Capital markets licensees are subject to Ministerial Order No. 7/2001 and Resolution No. 1/2004.

4.78. In 2011, in a bid to stimulate development of the Bahraini equity market, the Bourse, undertook initial measures to encourage the listing of more companies through amendments to its listing rules. These had proved challenging for companies to comply with during the difficult post-crisis market conditions. One such revision cancels an article stipulating that a company must have realized profits during the two years prior to its application, or at least for three of the past five years. The MOIC, in collaboration with the CBB and the National Corporate Governance Committee, introduced a new Corporate Governance Code in 2010, combining nine core principles reflecting the highest international governance standards. Enforced under a "comply or explain" framework, the Code forms part of the longer term initiative to deepen the Bahrain Bourse market and instil confidence in Bahrain's capital markets among investors and companies looking to raise capital through a listing.

4.79. Since its establishment, BHB has joined several regional and international organizations, such as the Union of Arab Stock Exchanges, Federation of Euro-Asian Stock Exchanges (FEAS), World Federation of Exchanges (WFE), Africa & Middle East Depositories Association (AMEDA), and Association of National Numbering Agencies (ANNA). Joining these organizations keeps the bourse updated on legislative, technical, and administrative developments in the capital markets sector.

4.5.1.4 Insurance

4.80. The insurance industry has grown steadily in recent years, with total gross premiums of US\$634.09 million in 2012 (2011: US\$579.99 million). In 2012, the insurance subsector represented about 5% of GDP in gross premiums per year, higher than in most GCC countries. Moreover, gross contributions of *takaful* firms increased by around 22% to US\$142.36 million in 2012, up from US\$116.47 million in 2011. Motor insurance was the single largest segment of the insurance market in 2012 (Table 4.6).

4.81. At the end of 2012, Bahrain's domestic insurance market, including conventional insurance and *takaful*, comprised 26 locally incorporated firms and 11 overseas insurance firms (branches of foreign companies) carrying out insurance, reinsurance, *takaful*, *retakaful*, and captives business. In 2012, there were 7 *takaful* firms and 2 *retakaful* firms, both locally incorporated, in addition to one captive insurance company (Chart 4.1).

4.82. All insurance licensees are regulated by the Central Bank of Bahrain and Financial Institutions Law 64 of 2006 (CBB Law), which was promulgated on 6 September 2006 with the issuance of Decree No. (64) of 2006.¹⁷

4.83. The *Insurance Rulebook* (Volume 3), issued in April 2005, covers insurance licensees, i.e. CBB licensees that solely undertake regulated insurance services. It includes prudential requirements (such as rules on minimum capital and risk management); and conduct of business

¹⁶ BSE Board Resolution No. 2/1995. Brokers class (A) are licensed to trade in securities of local, GCC, and international issuers registered at the BHB, on behalf of clients and for their own account. They are also allowed to act as custodians and offer advisory and research services (WTO, 2000).

¹⁷ Decree No. 64 enacted the CBB Law and repealed the BMA Law of 1973 as well as the Insurance Law of 1987.

requirements (such as rules on providing insurance services and the treatment of policyholders). Collectively, these requirements are aimed at ensuring the safety and soundness of the licensees, and providing an appropriate level of protection for policyholders.

Table 4.6 Insurance premiums and claims, 2011-12

(US\$ million and %)

Class	Gross premiums			Gross claims		
	2012	2011	Change	2012	2011	Change
Long-term	159.57	139.50	14%	58.07	53.53	8%
Fire, property and liability	110.74	102.51	8%	27.15	33.86	-20%
Miscellaneous financial loss	11.84	10.72	10%	4.51	3.16	43%
Marine and aviation	18.60	18.74	-1%	2.26	1.90	19%
Motor	164.44	147.55	11%	144.32	111.02	30%
Engineering	40.29	43.65	-8%	9.20	9.32	-1%
Medical	98.58	92.42	7%	77.77	65.35	19%
Other	30.03	24.90	21%	8.61	5.19	66%
Total	634.09	579.99	9%	331.89	283.33	17%

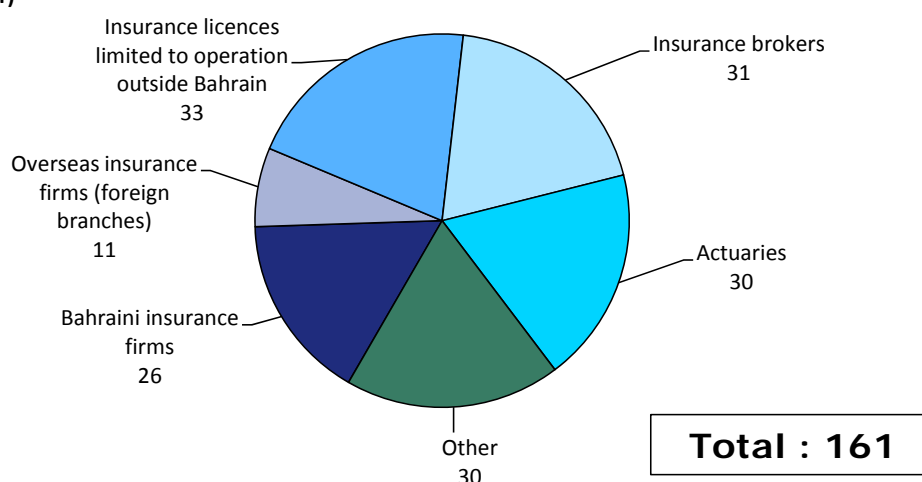
Source: Central Bank of Bahrain.

4.84. An insurance firm must satisfy the CBB's requirements for each type and class of insurance business for which it is seeking authorization. With the exception of captive insurance and pure reinsurance, an insurance firm may not undertake both general and long-term insurance activities. Insurance firms (including captive insurers), must operate on either conventional insurance principles or on *takaful* principles; they may not combine the two. There is no limitation with respect to foreign ownership in the insurance licensees.

4.85. Bahraini insurance firms must maintain sufficient capital to meet at all times their insurance and other obligations: the minimum Tier 1 Capital requirement is BD 5 million, except for firms whose business is limited to reinsurance; reinsurance firms must have minimum Tier 1 Capital requirement of BD 10 million. Overseas insurance firms and captive insurers are not subject to minimum Tier 1 Capital but must comply with the required solvency margin and minimum fund requirements, as defined in Chapter CA-2 of the *Insurance Rulebook* (Volume 3).

Chart 4.1 Insurance companies and organizations authorized in Bahrain, 2012

(Number)



Source: Central Bank of Bahrain.

4.86. For overseas insurance firms, the audited net assets (excluding any unrealized fair value gains and the surplus assets of long-term funds) amount is determined in accordance with accounting standards that would be applicable if they were a joint-stock company incorporated in Bahrain.

4.87. In addition, all insurance firms must at all times maintain available capital in excess of the greater of the required solvency margin and the minimum fund. The minimum paid-up capital requirement for insurance brokers is BD 50,000. The authorities retain the right to require higher capitalization.

4.88. According to the authorities, insurance companies are required to set aside 10% of their annual net profits in a statutory reserve until the amount reaches 50% of the capital. Insurance firms must maintain a cash deposit with a retail bank licensed to do business in Bahrain, to the amount of BD 50,000 for life insurance, BD 75,000 for any non-life insurance, and BD 150,000 for reinsurance.

4.5.2 Telecommunications

4.89. Bahrain's telecommunications sector grew substantially during the review period. In 2012, annual gross turnover reached over US\$1 billion, representing around 4% of GDP. A total of 3,141 people work in the sector, a 50% increase since the launch of the liberalization policies in 2003. The number of Bahraini employees in this sector is also amongst the highest in Bahrain, at 80% in 2012. This is mainly due to the sector's high productivity and reliance on skilled employment. The sector also boasts a high female ratio of 29% compared with a workforce average of 21%.

4.90. Pursuant to its National Economic Strategy, Bahrain was one of the first GCC countries to liberalize its telecommunications market. While Bahrain has the smallest market in the Middle East by population, its telecommunications market is now one of the most competitive. Bahrain has been leading regulatory trends in the telecommunications sector among the GCC countries. In 2009 and 2011 Telecommunications Regulation Authority (TRA) was awarded, the Most Progressive Regulator of the Year award by the South Asia, Middle East, and North Africa (SAMENA) Telecommunications Council.

4.91. Important changes have been introduced with respect to market competition. In 2007, two national fixed wireless licences were issued, to Zain and to Menatelecom, to operate as WiMax-based networks. In 2009, a mobile licence was granted to Viva Bahrain, making it the third telecommunications provider, along with the partially state-owned operator Bahrain Telecommunications Company (BATELCO) and Zain Bahrain. Mobile penetration rates grew from 107% in 2007 to 172% by the end of 2012, increasing the numbers of subscribers to 2.1 million, of whom around 80% are prepaid subscribers. This growth has been largely attributed to the competition among the three mobile operators. In September 2013, TRA granted new frequency licences to the three mobile operators, enabling them to launch 4G services. Information regarding market share of the three operators was not made available by the authorities, who stated that it is confidential and has not been made public by TRA.

Table 4.7 Selected telecommunication indicators, 2007-12

	2007	2008	2009	2010	2011	2012
Telephone subscriptions ('000)	205.0	221.8	240.2	232.4	248.5	260.0
Telephone subscriptions per 100 inhabitants	19.6	19.9	20.2	18.4	20.8	21.1
Cellular mobile subscriptions ('000)	1,115.9	1,440.8	1,401.9	1,567.7	1,693.6	2,123.9
Cellular subscriptions per 100 inhabitants	107.4	130.2	119.0	127.0	141.7	172.0
Broadband subscriptions ^a ('000)	68.2	110.0	158.3	306.2	567.9	1,254.8
Broadband subscriptions per 100 inhabitants	7.00	10.00	13.44	24.80	47.52	102.0
Internet users per 100 inhabitants	32.91	51.95	53.0	55.0	77.0	88.0

a The new number of broadband subscriptions for 2010-12 has been revised to ensure better alignment with the ITU definition of active mobile broadband subscribers. Comprehensive pay-per-use mobile broadband figures are not available for 2011 and earlier.

Source: The Telecommunications Regulatory Authority.

4.92. The Telecommunication Regulatory Authority is the main regulator for the sector and is regulated by Telecommunications Law No. 48 of 2002. The TRA's main duties are to: protect the interests of subscribers and users in respect of the tariffs charged for services, the availability, provision, and quality of services, and protection of personal particulars and privacy of services; promote effective and fair competition among new and existing licensed operators; and ensure that applicants are able to provide public telecommunications services when assessing applications.

4.93. Under the Telecommunications Law, the requirements to grant a licence are: that the applicant is a juristic entity incorporated in Bahrain, or a branch of a foreign company licensed to operate in Bahrain in accordance with the Commercial Company Law (No. 21 of 2001); and that substantially all the infrastructure and personnel associated with the provision of telecommunications services are located in the Kingdom of Bahrain. Licences are granted for 15 years. Chapter 8 of the Law provides for the gradual liberalization of the subsector. As of end 2012, 20 active licensed operators were supplying telecommunications services in the Kingdom of Bahrain. In 2012, revenue from licence fees collected by the TRA amounted to BD 3.17 million, an increase of 13% over 2007.

4.94. Every three years, the Ministry of Transportation prepares a National Telecommunication Plan (NTP), stipulating the strategy and the general policy for the subsector. The NTP has to be approved by the Council of Ministers. The Third NTP was issued in July 2012, setting out the Government's vision that the telecommunications sector should play an enhanced role in stimulating and enabling the economic and social development of Bahrain. The Third NTP identifies some key challenges and government policies for the sector, including the creation of a national broadband network (NBN) and the deployment of long-term evolution (LTE)-based mobile services.

4.95. Batelco, the incumbent operator, is partially owned (36.7%) by Mumtalakat Holding Company, the state-owned enterprise (section 3.4.4). The TRA imposes a series of measures such as wholesale, retail access, and price regulation on operators that are found to hold significant market power (SMP) and/or dominance. In 2012, Batelco was subject to a number of SMP and dominance determinations, while in 2010 Zain was found to be dominant in the supply of termination services on its mobile network. A similar determination was made in 2013 in relation to Viva's mobile termination service. The TRA undertakes periodic market reviews to ensure that the regulatory framework remains appropriate.

4.96. Some of the most recent developments in Bahrain's telecommunications market include greater infrastructure access¹⁸; number portability¹⁹; continued economic regulation; and enhanced consumer protection. In January 2012, the TRA issued Consumer Protection Guidelines to address consumer rights, choice, and communications.

4.5.3 Postal services

4.97. Postal services are under the supervisory authority of the Ministry of Transportation (MOT). Bahraini Laws No. 4 of 1975, 24 of 1982, and 12 of 2011 provide for Bahraini membership of the Universal Postal Union (UPU), the acceptance of International, Arab, and GCC Postal Agreements (1982), and the ratification of the Seventh Additional Protocol to the Constitution of the Universal Postal Union. Postal services are considered important, *inter alia*, to prepare a suitable environment for investment; promote Bahraini goods and services all over the world; provide employment to nationals; and contribute in developing various other industries. A number of operators are already working in the domestic and international markets, with 15 major companies.

¹⁸ In mid-2011, the TRA mandated local loop unbundling (LLU) in Bahrain with the objective of stimulating greater broadband competition via competitive ADSL deployment. Other licensed operators (OLOs) may now access Batelco's copper access network at regulated prices on a non-discriminatory basis.

¹⁹ The Kingdom of Bahrain was the first country in the Middle East and North Africa to implement fixed number portability (October 2011), and one of the first in the Middle East to implement mobile number portability (July 2011). Number portability is intended to increase competition by reducing impediments to customer move between different licensees.

4.98. There are 18 post offices in Bahrain. Mail is delivered to private post office boxes and directly to physical addresses; the latter was not the case before the last Review. The annual fee for this service is BD 50 for enterprises and BD 15 for individuals.

4.99. In 2005, to increase the efficiency and productivity of postal services, the GCC agreed to establish a regional service standard, requiring them to deliver 85% of the mail circulating between them within four days by 2006, 85% within three days by 2007, and 90% within two days by 2008. In 2009, Bahrain Post was accredited with ISO9001, and has improved its business processes and become more efficient in providing quality in the workplace. The main improvement was in delivery times of major international destinations to J+2 and domestic to J+1.

4.100. Bahrain post has implemented the radio frequency identification system (RFID), which provides contactless identification, tracking, and tracing of incoming/outgoing mail and packages in a timely manner. Bahrain launched Gulf Express to promote postal services in the GCC region.

4.5.4 Transport

4.101. During the review period, the Ministry of Transportation (MOT) assumed responsibility for the development of Bahrain's transportation infrastructure and systems, with overarching responsibilities that include the regulation and streamlining of Civil Aviation Affairs, Ports and Maritime Affairs, and Land Transportation.

4.102. In line with the Economic Vision 2030, the MOT is tasked with streamlining the development of Bahrain's transportation systems, in an integrated manner to facilitate a safer, faster, and more efficient and convenient transportation system, with the objective of boosting productivity and enhancing the quality of land, sea, and air transport.

4.5.4.1 Maritime transport

4.103. Bahrain has a small merchant fleet compared with its GCC neighbours,. Maritime shipping showed strong growth in 2012 as Bahrain's total merchant fleet grew by 20% since 2008. (Table 4.8).

Table 4.8 Shipping and maritime transport services, 2008-12

(DWT)

	2008	2009	2010	2011	2012
Total merchant fleet (dwt) ^a	1,016,154	1,057,559	1,107,749	1,139,782	1,219,429
Bulk carriers	142,123	142,123	152,145	155,176	161,589
Container ships	286,123	288,953	301,258	301,258	336,584
General cargo	256,896	256,896	278,965	278,965	301,235
Oil tankers	74,125	74,125	74,125	74,125	74,125
Other	256,887	295,462	301,256	330,258	345,896

a Deadweight tonnes.

Source: Information provided by the authorities.

4.104. In 2012, the newly established Ports and Maritime Affairs (PMA) Directorate under MOT replaced the General Organization of Sea Ports (GOP) as the regulator for maritime transport and services.

4.105. Mina Khalifa bin Salman Port (MKSP), Bahrain's newest port, was opened in 2009. KBSP has a 900 m² container terminal, as well as general cargo, and passenger facilities. Located in Salman Industrial City, it is only 13 km from Bahrain international Airport and is linked to Mina Salman, the old port, by a 5 km causeway. Access to the Kingdom of Saudi Arabia is a 30 km

drive. A private company runs KBSP and the Ports & Maritime Affairs supervises and regulates the port's functions in line with the concession agreement.²⁰

4.106. The maritime subsector is regulated by the Bahrain Maritime Code (Law No. 23 of 1982), Law No. 20 of 1979 on Small Vessel Registration and Safety Requirements, and the Ministerial Resolution No. 6 of 2001 regulating merchant shipping (manning, training, certification and related seafarer's matters). In addition, a regulatory framework for seaports has been in place among GCC countries since 2006.

4.107. The PMA is currently finalizing a new Maritime Code, which covers issues related to international maritime conventions and protocols and the operation of port facilities, as well as defining the responsibilities and functions of the PMA. It will also establish jurisdiction with respect to international conventions and bring Bahrain up to date with developments in international maritime law.

4.108. As the regulator for the maritime industry, the PMA oversees licensing and registration for ships, port, and private jetty users and operators.²¹ Maritime transport services may be provided by the private sector (foreign and Bahraini). Companies wishing to provide shipping and passengers transport services require PMA approval.

4.109. A small number of shipping companies operate in Bahrain. The United Arab Shipping Company, a semi-private company with 5% of shares owned by the Government, deals with cargo services. A few others deal with the shipping of construction materials. Freight and passenger transport charges are not regulated under Bahraini legislation. There is no obligation for government cargo to be carried by state-owned shipping companies; however, the Government appears to favour the United Arab Shipping Company for government cargo. Shipments to Bahrain must be by ships that are permitted entry into Bahraini waters (based on, *inter alia*, flag/ownership and age of vessel).

4.110. According to the authorities, there are no incentives for flying the Bahraini flag; and however, the only conditions associated with flying the Bahraini flag are registration and certification. Any ship may acquire Bahraini nationality if it is registered at any port in Bahrain, and if the owner or owners are Bahraini nationals; in the case of a corporation, it must have Bahraini nationality. The Minister of Transportation may, with the consent of the Council of Ministers, award Bahraini nationality to ships owned by foreigners. Cabotage is not regulated. However, under Article 4 of the Maritime Code, coastal navigation, fishing, towing, and pilotage in territorial waters, as well as navigation between Bahraini ports, are permitted exclusively by ships flying the Bahraini flag. International and national safety measures must be maintained. Multimodal transport is encouraged and regulated through national laws.

4.111. There are no restrictions on nationality of crew and key personnel employed on ships or by shipping companies in Bahrain. Key personnel, maritime engineers, and the number of crew members employed on ships, and their required qualifications are defined by the applicable laws, regulations, and international conventions. No special government funding is available to the maritime subsector although the Minister of Transportation holds a general reserve for use in case of an emergency.

4.112. Prices of freight, towage, and other transport services (excluding passengers) are set by the operators, subject to PMA approval.

4.113. In the context of the GCC and based on the common rules and regulations for seaports, which were approved in 2006, GCC countries have approved *inter alia*, to: (i) bring port infrastructure, equipment, systems, and services into line with best international practices, standards, and norms; (ii) contribute to the national social and economic objectives and to promote ports' competitive strengths and the GCC states' trade objectives in the global market; (iii) encourage the harmonization of standards, codes, and benchmarks in the performance of port services, and assure that the dispatch of ships matches users' needs; (iv) pursue the GCC

²⁰ Ministry of Transportation, Ports and Maritime online information. Viewed at: <http://mot.gov.bh/en/ports-and-maritime/khalifa-bin-salman-port>.

²¹ Ministry of Transportation online information. Viewed at: <http://mot.gov.bh/en/ports-and-maritime/licensing-and-administration>.

commitment to promote the relevant UN organizations (IMO and ILO); (v) encourage private sector participation in the provision of port services with a view to ensuring efficient use of resources and enhancing fair competition; and (vi) promote national employment, education, and life-long learning for the ports' human resources.

4.5.4.2 Air transport

4.114. The Civil Aviation Affairs (CAA) under the MOT acts as Bahrain's aviation and supervisory authority responsible for all civil aviation regulatory matters, the provision and management of air traffic services, meteorology, and the management of all air-transport-related services at Bahrain's International Airport (BIA). The CAA also assumes responsibility for the issuing of licences/permits and certification for various activities including aircraft registration, personnel licences, aircraft operations, and airline schedules.

4.115. In June 2013, a new Civil Aviation Law entered into force (Law No.14/2013). The CAA was keen for this new law to be enacted, in order to enhance the implementation of the standards adopted by the International Civil Aviation Organisation (ICAO).²² Other regulations for the subsector include: the Air Navigation Technical Regulations, under Resolution No. 2/1997; Ministerial Decree No. 1/1999 on sales and marketing of air transport products and services; and Ministerial Decree No. 1 of 2002 on the organization and licensing of air cargo agencies.

4.116. During the period under review, overall passenger numbers grew to around 9 million in 2009 but declined in 2010 and, due to the domestic unrest, reached their lowest level in 2011. In 2012, passenger numbers increased by 8.8% to around 8.4 million (Table 4.9). Cargo services have been declining steadily.

4.117. Gulf Air is Bahrain's principal flag carrier. Until 2002, Gulf Air was jointly owned by Bahrain, Qatar, the UAE, and Oman. However, these shareholders withdrew one by one to set up their own airlines and develop their own hub capacity, the last being Oman in 2007.²³ Gulf Air has continued to make losses, and the number of routes was cut from 120 to 40 during the review period. In 2007, the carrier was bought by Bahrain Mumtalakat Holding, which owns 100% of the airline. In an effort to cut its losses, Gulf Air began a three-year recovery plan at the end of 2012. The carrier plans to shift from a long-haul and transit focus to concentrate on short-haul flights within the MENA region, to the Indian subcontinent, and key airports in Europe.

Table 4.9 Air transport services, 2008-12

	2008	2009	2010	2011	2012
Passengers	8,758,068	9,053,631	8,898,272	7,793,527	8,479,266
Arrivals	4,231,222	4,380,711	4,292,361	3,789,750	4,161,061
Departures	4,180,220	4,356,263	4,305,534	3,778,450	4,105,954
Transit	346,626	316,657	300,377	225,327	212,251
Cargo services (tonnes)	332,798	311,024	298,135	273,835	256,826
Aircraft movement	101,203	103,727	106,356	103,419	105,931

Source: Information provided by the authorities.

4.118. Bahrain Air, a privately owned low-cost, point-to-point-model airline, established in 2008, announced its voluntary liquidation in early-2013. In general, private airlines in the Gulf region face financial difficulties as they compete with state-owned carriers.

4.119. Airlines operating in Bahrain require approval from the CAA under the provisions of an air transport services agreement or through a temporary operating permit. Key parameters in bilateral air transport agreements are reciprocity of capacity and frequency. Airlines are free to set prices. Approvals for cargo operations, including prices, do not, in general, appear to be restricted; prices must be submitted to the authorities for information purposes. According to the authorities, there are, in principle, no objections to allowing new entrants into the market.

²² *Gulf Daily News*, "Civil aviation sector facing downgrade", 26 March 2013. Viewed at: <http://www.gulf-daily-news.com/NewsDetails.aspx?storyid=350116>.

²³ The Qatari Government dropped its shareholding in May 2002 to develop its own national airline (Qatar Airways). The Abu Dhabi Government dropped its shareholdings in 2005 to develop Etihad Airways.

4.120. According to the authorities, Bahrain adopts a multiple designation approach in its bilateral negotiations; this allows more than one carrier from a State to operate the permitted services. Benefits, including special rebates, discounts, and incentives on landing, take-off, and parking charges, are provided to airlines on a case-by-case basis. Some classes of aircraft are exempt by law from payment of these charges; these include aircraft belonging to/used by Bahrain, head of state, the United Nations and its agencies, the League of Arab States and its agencies, aircraft used without remuneration, and any other aircraft that may be exempted by the CAA.²⁴

4.121. There is no specific slot-allocation system in operation at Bahrain International Airport. Airlines submit their tentative schedules on a seasonal basis for approval by the CAA following discussions with the relevant authorities, including Gulf Air, in an Airport Scheduling Committee. There is no difference in slot allocation between peak and off-peak hours; however "grandfather" rights are respected. Schedule clashes at peak periods are resolved by mutual agreement between the airline concerned and the CAA.

4.122. According to the authorities, the CAA grants some incentives to promote Bahrain's airport as a regional hub, i.e. exemption from landing and parking fees for two years for new airline entrants and the exemption from air navigation fees for two years.

4.123. Since 2010, Bahrain International Airport (BIA) has been managed and operated by Bahrain Airport Company (BAC), a state-owned company established in 2008 as a public limited company in which Bahrain Mumtalakat Holding is the sole shareholder. The handling services were previously managed by Bahrain Airport Services, which operated under a 25-year sole-right franchise agreement from 1996. BAC carries out ground, cargo, and mail handling and in-flight catering, and operates catering facilities in the terminal. Airlines may handle some or all of these services themselves. Other facilities include fuel services, which are provided by the Bahrain Airport Fuelling Company, on behalf of its three shareholders, BAPCO, Caltex, and Air BP; and duty-free facilities, which are provided by the Bahrain Duty Free company under a franchise agreement. BIA has an operational capacity of over 9 million passengers and over 1,000 weekly departures from the airport.

4.124. As of October 2013, Bahrain had 87 bilateral air transport agreements and temporary operating permits in force.

4.5.4.3 Road and railway transport

4.125. Bahrain's road network is regulated by the Roads Affairs Sector Directorate, under the Ministry of Works (MOW), which is responsible for, *inter alia*, urban development, construction of highways, bridges, and underpasses, as well as road maintenance. The main policy goal is to continue to expand the road infrastructure. Some major road projects are under way to ease traffic congestion in Bahrain.

4.126. Due to Bahrain's small land size, no large highways are operated on a concession basis. The 25-km King Fahd Causeway, which links Bahrain to the Kingdom of Saudi Arabia, is operated jointly by the two governments. Moreover, Bahrain and Qatar are planning to construct the Bahrain-Qatar Friendship Causeway, a 40-km bridge that will connect the two countries (at a cost of US\$4 billion). In addition, the project will include a railway system. The whole project is expected to be completed by 2022.

4.127. With Bahrain's rising population, the authorities are looking to develop a bigger public transport system. In 2010, MOW outlined a 20-year plan to develop a BD 3 billion public transport network consisting of trams, buses, and a light railway network. Eventually, this network will link the airport with the city centres of Muharraq, Manama, Isa Town, and Riffa, and to Qatar and Dammam in the Kingdom of Saudi Arabia.

4.128. Bahrain has plans to link to the GCC railway. The pan-GCC rail network, due to be completed by 2018, will stretch over 2,000 km and enable the transport of goods from Kuwait to Salalah in Oman and from Jeddah in the Kingdom of Saudi Arabia to the Fujarah Port in the UAE. The total estimated investment for the GCC network is estimated at US\$30 billion.

²⁴ Ministry of Transportation, Civil Aviation Affairs, Civil Aviation Law, (Article 119).

4.5.5 Tourism

4.129. Tourism remains a cornerstone of Bahrain's plan for a diversified economy. While the tourism sector was hardest hit in 2011, with tourist arrivals plummeting by 32.7% due to the domestic unrest, it rebounded in 2012. Tourism contributed around 5% of GDP in 2012 BD 538.3 million.

4.130. Bahrain draws on its cultural and historical heritage but also on its sports and business tourism potential. It offers a developed infrastructure of hotels, resorts, shopping malls, and restaurants. At the end of 2012, Bahrain had 114 hotels, with more than 10,000 rooms, with the majority in the 3, 4, and 5-star categories.²⁵ Hotels are classified by the Ministry of Culture.²⁶ Bahrain tends to attract "weekend" tourists, most notably from the Kingdom of Saudi Arabia and other GCC countries due to its limited range of tourist attractions compared with its neighbours, Dubai and Qatar.

4.131. In 2012, Manama, was selected as the Arab Capital of Culture under a UNESCO programme, and the Capital of Arab Tourism 2013. Cultural and historical heritage tourism relies on several museums and archaeological sites. The Bahrain National Museum is one of the oldest in the Gulf region, with some of the region's oldest documents and artefacts. Bahrain's Oil Museum commemorates both the Bahrain prominence as the first Arab country to discover oil and the significance of oil in the development of the Middle East. In addition, Bahrain has a number of forts, most notably the Bahrain Fort, which played a prominent role in Bahrain's past under Portuguese rule and in the Islamic era. It was officially listed as a UNESCO World Heritage site in 2005.

4.132. Business tourism remains an important market segment for Bahrain and one that the Government aims to expand. A main objective part of Bahrain's Vision 2030 strategy for diversification, is raising Bahrain's profile internationally as a business centre rather than a tourist destination. In this respect, the Bahrain Exhibition and Conference Authority (BECA), which is chaired by the Minister of Industry and Commerce (MOIC) plans to open a new exhibition and conference centre, expo@bahrain or Expo City, which will increase capacity to over 5,000 delegates and up to 30,000 visitors a day.

4.133. Sports tourism is another important market segment, although seasonal. The Grand Prix Formula One race has been an annual event since 2004. Operated by Bahrain International Circuit (BIC), a subsidiary of the state-owned Mumtalakat, the Grand Prix has had a total direct economic impact of around US\$1.3 billion since its inception.

4.134. Since the last Review of Bahrain, the regulatory authority for the tourism sector has changed. In 2010, the Tourism Sector, under the Ministry of Culture replaced Tourism Affairs in the Ministry of Information as the responsible authority for promoting Bahrain as a tourist destination, and for regulating the industry. In addition to setting the sector strategy, the Tourism Sector is responsible for granting licences, hotel inspection, and regulating tour guides.

4.135. Foreign investment in the tourism sector is permitted up to 100% of total equity, subject to the Companies Law (No. 21 of 2001). Activities reserved for Bahrainis and GCC nationals are travel and tourist offices; and activities reserved for Bahrainis only are those related to tourist land transport and facilitating domestic sea cruises. More than 90% of investment in the industry has been by the private sector. In general, the Government restricts its activities to the provision of infrastructure rather than investment in projects that may compete with the private sector, although it may partner with the private sector when requested.

4.136. In general, there are no taxes on tourism activities. However, a 5% government levy is added to all hotel bills, with two percentage points used to promote tourism in Bahrain and to develop supporting infrastructure.

²⁵ Bahrain Central Informatics Organization online information, *Tourism*. Viewed at: http://www.cio.gov.bh/cio_ara/English/Publications/Statistical%20Abstract/ABS2012/Ch10/1.pdf.

²⁶ Decree No. 2 of 2005.

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5 APPENDIX TABLES

Table A1.1 Selected macroeconomic indicators, 2006-12

	2006	2007	2008	2009	2010	2011	2012
Miscellaneous							
Current GDP at purchasers' prices (Bahraini dinar billion) ^a	7.0	8.2	9.7	8.6	9.7	11.0	11.4
Current GDP at purchasers' prices (US\$ billion) ^a	18.5	21.7	25.7	22.9	25.7	29.2	30.4
Real GDP growth at 2010 prices ^a	..	8.3	6.2	2.5	4.3	1.9	3.4
GDP per capita (US\$)	19,268	20,908	23,236	19,465	20,930	24,399	..
National Accounts^b							
(%age change based on constant figures, unless otherwise indicated)							
Consumption	..	6.0	20.6	11.7	11.4	4.7	..
Government	..	9.0	8.9	13.8	3.4	8.3	..
Private	..	4.8	25.2	11.0	14.2	3.6	..
Gross Fixed Capital Formation	..	37.7	18.6	-29.7	14.7	-27.0	..
Government	..	15.5	0.7	-16.0	54.8	-38.4	..
Private ^c	..	46.0	23.9	-33.0	2.6	-21.8	..
Change in stocks ^d	..	-94.4	119.4	47.0	425.5	-45.6	..
Net exports of goods & services	..	-5.8	-28.8	38.9	-23.6	37.1	..
Public finance^b							
(% of GDP)							
Revenues	26.4	24.9	27.7	19.8	22.5	25.7	..
of which: oil & gas	20.4	20.0	23.6	16.4	19.2	22.6	..
Expenditure	22.4	22.3	21.3	24.1	27.3	26.0	..
Strategic projects	0.0	0.0	0.7	0.8	0.0	0.0	..
Surplus/deficit before rollover	4.0	2.7	5.7	-5.2	-4.8	-0.3	..
Net surplus/deficit after rollover	2.0	0.5	3.8	-8.4	-8.0	-2.8	..
Government external debt	..	..	..	..	..	..	..
Government domestic debt	..	..	..	..	..	..	..
Prices and exchange rate							
Inflation (CPI, %age change)	2.0	3.3	3.5	2.8	2.0	-0.4	..
BD/\$ (annual average)	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Real effective exchange rate (2005=100) ^e	102.2	95.6	87.8	91.7	89.5	83.2	84.5
Nominal exchange rate (2005=100) ^e	99.6	95.5	92.5	95.5	94.1	91.0	93.4
(% of current GDP)							
GDP by economic activity^a							
Agriculture & fishing	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Mining & quarrying	22.7	21.4	25.0	19.9	21.7	27.5	25.2
of which: crude petroleum & natural gas	22.3	20.9	24.4	19.3	21.1	27.0	24.6
Manufacturing	13.3	14.5	15.1	14.0	14.5	15.3	15.2
Services	62.9	62.9	58.6	64.9	62.4	56.1	58.3
Government services	10.6	10.1	9.1	11.3	10.5	10.8	11.4
Offshore financial institutions	10.6	10.1	9.0	8.9	7.9	6.7	6.5
Construction	8.4	8.8	9.2	7.9	7.4	6.1	6.0
Transport and communication	5.5	5.2	5.2	6.4	6.7	6.0	6.4
Real estate & business activities	7.3	7.2	6.5	6.4	6.2	5.1	5.1
Insurance	3.1	3.6	3.2	4.7	5.0	4.6	4.8
Social & personal services	3.5	3.4	3.4	4.5	4.6	4.6	5.1
Financial institutions	4.6	5.3	4.6	5.1	4.7	4.4	4.5
Trade	5.2	4.7	4.4	4.8	4.7	4.1	4.1
Other	4.1	4.4	4.0	4.9	4.8	3.9	4.5
Import duties	1.0	1.0	1.0	1.0	1.0	0.8	1.0
GDP by economic activity^a							
(% of GDP based on constant figures)							
Agriculture & fishing	0.4	0.3	0.3	0.3	0.3	0.3	0.3
Mining & quarrying	26.1	24.5	23.2	22.6	21.7	22.1	19.6
of which: crude petroleum & natural gas	25.8	24.0	22.7	22.0	21.1	21.5	19.0

	2006	2007	2008	2009	2010	2011	2012
Manufacturing	14.6	14.2	14.3	14.6	14.5	14.7	15.5
Services	57.7	59.7	61.0	61.4	62.5	62.0	63.6
Government services	9.4	9.4	9.5	10.4	10.5	11.7	12.1
Offshore financial institutions	10.1	9.6	9.3	8.3	7.9	7.3	7.1
Transport and communication	5.4	5.7	6.0	6.7	6.7	6.8	7.0
Construction	7.0	8.0	8.4	7.6	7.4	6.8	6.8
Real estate & business activities	6.6	6.6	6.6	6.2	6.2	5.7	5.7
Social & personal services	3.4	3.6	3.7	4.2	4.6	5.0	5.4
Insurance	3.3	3.3	3.5	4.2	5.0	5.0	5.2
Financial institutions	4.1	4.7	4.9	4.6	4.7	4.8	4.8
Trade	4.9	4.8	5.1	4.8	4.7	4.5	4.5
Other	3.5	4.2	4.2	4.5	4.8	4.4	4.9
Import duties	1.2	1.3	1.2	1.1	1.0	1.0	1.1
External sector	(% of current GDP, unless otherwise indicated)						
Current account ^f	11.8	13.4	8.8	2.4	3.0	11.1	7.3
General merchandise (net) ^f	12.1	12.5	11.9	9.9	9.6	25.9	21.5
Exports (fob) ^f	65.9	62.7	67.3	51.8	53.1	67.4	65.1
Oil ^f	49.8	49.7	53.6	38.9	39.6	53.1	50.1
Non-Oil ^f	16.1	13.1	13.7	12.9	13.5	14.3	15.1
Imports (fob) ^f	-53.8	-50.3	-55.4	-41.9	-43.5	-41.5	-43.6
Oil ^f	-26.5	-27.0	-28.0	-19.0	-21.0	-25.6	-29.4
Non-Oil ^f	-27.3	-23.3	-27.4	-22.9	-22.5	-15.9	-14.2
Services (net) ^f	9.3	8.4	6.7	8.3	8.3	4.3	4.4
Exports ^f	18.0	16.2	14.5	15.9	15.7	10.4	9.3
Imports ^f	-8.7	-7.8	-7.9	-7.6	-7.4	-6.1	-4.9
Total reserves, includes gold (\$ billion)	2.1	2.9	4.3	4.1	4.0	5.3	4.8
Total reserves in months of imports	1.6	1.8	2.2	2.0	3.1	3.8	2.3

.. Not available.

a Provisional data 2012.

b Provisional data 2011.

c Including government investment in production activities.

d Including net errors and omissions.

e A rise in the index indicates an appreciation.

f Based on provisional data.

Source: Central Bank of Bahrain, *Financial Stability Directorate Economic Indicators*, March 2012 (No. 35) and June 2012 (No. 36); Central Informatics and Telecommunication Organization, *Annual Report 2011*, and *Bulletin of Quarterly National Accounts*, fourth quarter 2012; IMF International Financial Statistics (IFS). Viewed at: <http://elibrary-data.imf.org/> [6 June 2013]. World Bank's World Development Indicators. Viewed at: <http://databank.worldbank.org/data/views/variableselection/selectvariables.aspx?source=world-development-indicators> [6 June 2013].

Table A1.2 Merchandise exports, including re-exports, 2006-11

(US\$ million and %)

HS Section	HS Chapter/Code	2006	2007	2008	2009	2010	2011
Total (US\$ million)		11,662	13,665	13,083	8,384	16,059	22,562
		(% of total)					
01	Live animals and products	0.2	0.2	1.1	2.0	0.9	0.9
02	Vegetable products	0.1	0.0	0.1	0.1	0.0	0.0
03	Fats and oils	0.0	0.0	0.0	0.0	0.0	0.0
04	Prepared food, beverages and tobacco	0.3	0.2	1.0	1.3	1.0	1.0
05	Mineral products	80.3	80.5	71.3	67.8	79.2	80.7
	26 Ores, slag and ash	1.2	1.4	4.8	3.1	7.4	11.6
	27 Fuels	79.1	79.1	66.4	64.7	71.8	69.1
	Light oil and preparations (HS 271011)	79.0	79.0	66.0	64.1	71.6	68.7
06	Chemicals and products thereof	2.4	4.3	4.1	3.2	0.4	0.5
07	Plastics and rubber	0.4	0.4	0.9	1.1	0.6	0.5
08	Raw hides and skins; leather	0.0	0.0	0.0	0.0	0.0	0.0
09	Wood, cork, straw	0.0	0.0	0.0	0.1	0.1	0.1
10	Pulp of wood; paper and paperboard	0.3	0.2	0.5	0.3	0.2	0.4
11	Textiles and textile articles	0.7	0.9	1.0	1.2	1.1	0.7
12	Footwear, headgear, etc.	0.0	0.0	0.0	0.0	0.0	0.0
13	Articles of stone, plaster, cement	0.1	0.1	0.1	0.2	0.2	0.2
14	Precious stones and metals, pearls	0.0	0.0	0.1	0.2	0.1	0.0
15	Base metals and articles thereof	13.3	10.7	15.2	15.4	12.4	11.3
	72 Iron and steel	0.2	0.2	0.5	0.7	0.8	1.3
	76 Aluminium and articles	12.5	9.9	13.6	13.7	11.0	9.5
16	Machinery, electrical machines	0.6	0.9	2.3	3.7	1.8	1.9
17	Transport equipment	1.0	1.1	1.8	2.5	1.6	1.6
	87 Vehicles	0.8	1.0	1.7	2.3	1.4	1.4
18	Precision equipment	0.1	0.1	0.1	0.1	0.1	0.0
19	Arms & ammunition	0.0	0.0	0.0	0.0	0.0	0.0
20	Miscellaneous manufactured articles	0.2	0.3	0.4	0.5	0.3	0.2
21	Works of art, etc.	0.0	0.0	0.0	0.0	0.0	0.0
	Not classified	0.0	0.0	0.0	0.0	0.1	0.0

Note: Figures for 2012 were not available.

Source: UNSD Comtrade database, HS classifications.

Table A1.3 Merchandise imports, 2006-11

(US\$ million and %)

HS Section	HS Chapter/Code	2006	2007	2008	2009	2010	2011
Total (US\$ million)		8,957	11,515	18,415	11,993	16,002	17,643
		(% of total)					
01	Live animals and products	1.6	1.4	2.2	2.8	2.7	3.0
02	Vegetable products	1.2	1.2	1.5	1.9	1.8	1.7
03	Fats and oils	0.2	0.2	0.2	0.3	0.2	0.3
04	Prepared food, beverages and tobacco	2.7	2.5	2.4	3.2	3.0	3.4
05	Mineral products	57.6	53.0	47.4	48.1	50.1	52.4
26	Ores, slag and ash	1.3	0.5	2.3	1.8	11.3	7.8
27	Fuels	55.6	52.0	44.3	44.7	38.0	43.9
	Crude oil (HS 270900)	54.7	50.9	42.6	42.9	36.6	42.3
06	Chemicals and products thereof	6.1	8.7	6.6	7.3	6.2	5.1
07	Plastics and rubber	1.4	1.8	1.7	1.8	1.5	1.9
08	Raw hides and skins; leather	0.1	0.1	0.2	0.2	0.2	0.2
09	Wood, cork, straw	0.5	0.7	0.6	0.8	0.6	0.5
10	Pulp of wood; paper and paperboard	0.8	0.8	0.8	0.9	0.9	0.9
11	Textiles and textile articles	1.6	1.5	1.9	1.6	1.7	1.8
12	Footwear, headgear, etc.	0.1	0.2	0.2	0.2	0.1	0.2
13	Articles of stone, plaster, cement	1.3	1.3	1.2	1.5	1.1	1.1
14	Precious stones and metals, pearls	0.4	0.4	0.5	0.3	0.4	0.5
15	Base metals and articles thereof	5.8	6.1	8.0	5.1	4.7	5.6
72	Iron and steel	2.1	2.2	4.2	1.3	1.7	2.1
73	Articles of iron or steel	2.5	2.5	2.2	2.1	1.5	1.9
16	Machinery, electrical machines	9.2	9.9	13.1	13.3	14.8	12.6
84 & 85	Machinery and mechanical appliances and electrical machinery	9.2	9.9	13.1	13.3	14.8	12.6
17	Transport equipment	7.6	8.6	9.1	8.8	7.7	6.6
87	Vehicles	7.0	7.9	8.0	7.9	7.3	6.4
18	Precision equipment	0.5	0.6	0.8	0.7	0.9	1.2
19	Arms & ammunition	0.0	0.0	0.0	0.0	0.0	0.0
20	Miscellaneous manufactured articles	1.1	1.0	1.5	1.4	1.3	1.1
21	Works of art, etc.	0.0	0.0	0.0	0.0	0.0	0.0
	Not classified	0.0	0.0	0.0	0.0	0.0	0.0

Note: Figures for 2012 were not available.

Source: UNSD, Comtrade database, HS classifications.

Table A1.4 Merchandise exports by destination, including re-exports, 2006-11

(US\$ million and %)

	2006	2007	2008	2009	2010	2011
Total (US\$ million)	11,662	13,665	13,083	8,384	16,059	22,562
	(%)					
America	2.0	2.8	2.4	2.6	1.5	1.9
United States	1.9	2.7	2.4	2.5	1.5	1.3
Other America	0.1	0.0	0.0	0.1	0.1	0.6
Peru	0.0	0.0	0.0	0.1	0.0	0.5
Europe	2.3	2.7	3.3	2.6	2.6	2.5
EU(27)	2.1	2.4	2.8	2.3	2.3	2.2
Italy	0.3	0.5	0.6	0.5	0.6	0.7
The Netherlands	0.7	0.9	0.8	0.5	0.5	0.6
EFTA	0.1	0.1	0.2	0.2	0.2	0.1
Other Europe	0.1	0.2	0.2	0.1	0.2	0.2
Commonwealth of Independent States (CIS)	0.0	0.0	0.0	0.0	0.0	0.0
Africa	0.7	1.0	1.7	1.9	2.2	1.7
Morocco	0.2	0.4	0.4	0.4	0.4	0.4
Egypt	0.3	0.3	0.7	0.8	0.9	0.4
Algeria	0.1	0.1	0.2	0.3	0.3	0.3
Middle East	8.8	9.8	20.4	22.7	16.2	18.4
Kingdom of Saudi Arabia	4.7	5.3	11.0	11.6	7.2	7.3
Qatar	0.9	0.9	2.2	2.7	3.9	3.4
Oman	0.2	0.3	0.7	1.0	1.0	3.4
United Arab Emirates	1.3	1.5	3.2	4.0	2.3	2.7
Kuwait	0.7	0.7	1.2	1.1	0.7	0.7
Syrian Arab Republic	0.2	0.4	0.5	0.6	0.4	0.3
Jordan	0.2	0.3	0.9	0.8	0.2	0.3
Asia	7.0	4.5	6.1	5.9	5.7	6.6
China	0.2	0.3	0.9	1.0	1.1	1.8
Japan	0.7	0.2	0.4	0.2	0.2	0.1
Six East Asian Traders	3.7	1.9	1.6	0.8	0.9	1.1
Chinese Taipei	0.6	0.2	0.0	0.1	0.0	0.4
Malaysia	0.2	0.3	0.4	0.1	0.3	0.4
Other Asia	2.3	2.2	3.2	3.8	3.5	3.7
India	1.4	1.0	1.2	2.6	2.5	2.2
Australia	0.4	0.9	1.3	0.6	0.5	0.5
Indonesia	0.1	0.1	0.2	0.1	0.2	0.4
Pakistan	0.3	0.1	0.2	0.3	0.1	0.3
Other	79.2	79.1	66.1	64.2	71.7	68.8
Areas n.e.s	79.0	79.0	66.0	64.1	71.6	68.8

Note: Figures for 2012 were not available.

Source: UNSD, Comtrade database.

Table A1.5 Merchandise imports by origin, 2006-11

(US\$ million and %)

	2006	2007	2008	2009	2010	2011
Total (US\$ million)	8,957	11,515	18,415	11,993	16,002	17,643
	(%)					
America	4.8	4.4	7.1	6.9	16.8	13.0
United States	3.2	3.3	4.1	3.9	4.5	4.7
Other America	1.6	1.1	3.0	3.0	12.3	8.3
Brazil	1.3	0.7	2.4	2.4	11.4	7.1
Canada	0.2	0.2	0.4	0.4	0.5	0.6
Europe	12.0	12.7	16.3	14.2	14.6	13.4
EU(27)	11.0	11.4	12.9	11.7	12.2	11.6
Germany	2.9	2.8	3.3	3.0	3.4	2.8
Italy	1.5	1.7	2.1	1.6	1.5	1.8
United Kingdom	2.1	2.1	2.1	2.2	2.4	1.7
France	1.1	1.5	1.4	1.7	1.7	1.4
Spain	0.6	0.6	0.7	0.6	0.6	1.0
The Netherlands	0.7	0.8	1.0	0.8	0.9	0.7
EFTA	0.7	0.9	1.4	1.8	1.1	1.0
Switzerland	0.6	0.9	1.1	1.3	1.0	0.9
Other Europe	0.4	0.4	2.1	0.8	1.3	0.8
Turkey	0.4	0.3	2.0	0.8	1.3	0.8
Commonwealth of Independent States (CIS)	0.1	0.2	0.1	0.0	0.1	0.8
Russian Federation	0.1	0.0	0.0	0.0	0.0	0.8
Africa	0.5	0.6	0.7	0.7	0.7	0.9
Middle East	9.3	9.2	9.2	10.3	7.0	50.6
Kingdom of Saudi Arabia	5.3	4.8	4.2	5.0	3.0	45.9
United Arab Emirates	2.5	2.8	2.7	3.1	2.3	3.3
Kuwait	0.3	0.5	1.0	1.1	0.6	0.5
Asia	18.5	21.9	23.8	24.9	24.2	21.2
China	3.7	4.2	6.0	6.8	7.4	7.7
Japan	5.4	5.2	5.5	4.8	4.7	3.3
Six East Asian Traders	3.2	3.3	4.0	4.3	4.4	2.6
Thailand	0.7	0.7	0.7	1.0	0.8	1.1
Malaysia	0.6	0.7	0.8	0.8	0.7	0.6
Other Asia	6.3	9.2	8.3	8.9	7.7	7.5
Australia	3.7	6.3	4.6	5.1	3.9	2.4
India	1.5	1.7	2.2	2.1	2.2	2.2
Korea, Dem. People s Rep. Of	0.0	0.0	0.0	0.0	0.0	1.3
Pakistan	0.4	0.4	0.5	0.6	0.5	0.5
Other	54.8	51.0	42.7	42.9	36.6	0.1

Note: Figures for 2012 were not available.

Source: UNSD, Comtrade database.

Table A2.1 Main trade-related laws, November 2013

Laws/Legislation/Customs	Issue
GCC Common External Customs Tariff (Ministerial Order 151 of 2012)	Tariff
Law No. 7 of 2002 on Bahrain's Implementation of the GCC Unified Economic Agreement	GCC Unified Economic Agreement
GCC Common Customs Law of 2003 (Implemented in Bahrain under Legislative Decree No. 10 of 2002)	Application of GCC Common Customs Law, customs valuation and procedures, import and export restrictions; rules of origin
Law No. 25 of 1996 amended by decree No.59 of 2011	Establishment of WTO National Committee
Law No. 43 of 2010 amending articles (8) and (18) of the Convention on the establishment of the Customs Cooperation Council (World Customs Organization) in 1950	Customs issues
Trade	
Commercial Company Law No. 25 of 1975 as amended by Law No. 21 of 2001	Company law and registration of companies
Commercial Registration Law No. 1 of 1961 as amended by Law No. 34 of 1976, and Law No. 12 of 1978	Establishes and regulates the Commercial Register
Commercial Agency Law No. 10 of 1992 as amended by Law No. 8 of 1998, as amended by Law No. 49 of 2002	Regulates commercial agencies in Bahrain
Commercial Law No. 7 of 1987	Regulates commerce in Bahrain
Decree Law No. 30 of 2009	Regulates economic and financial investment
Law No. 56 of 2009	Regulates Treatment of citizens of GCC countries -retail and wholesale trade
Law No. 24 of 2004 as amended by Law No. 26 and 34 of 2009 and No. 17 of 2010	Regulates Treatment of Citizens of GCC countries - economic activity in Bahrain
Law No. 3 of 2013	Allowing companies of GGC countries to open branches in Bahrain
Law No.35 of 2012	Consumer protection
Legislative Decree No. 13 of 1991	Foreign investment in limited-liability or joint-stock companies
Amiri Decree No. 16 of 1985, as amended by Law No. 13 of 1992	Standards and metrology
Legislative Decree No. 20 of 1983 on Plant Quarantine	Phytosanitary regulations
Law No. 5 of 2003 on Bahrain's Implementation of the GCC Common Law on Plant Quarantine	Phytosanitary regulations
Law No. 4 of 2006 on Bahrain's Implementation of the GCC Common Law on Anti-dumping, Countervailing Measures, and Safeguard and consolidated by the law No. 48 of 2011	GCC Common Law on Anti-dumping, Countervailing Measures, and Safeguard
Legislative Decree No. 36/2002 as amended by Law No.1 and No.2 of 2007 and law No.29 of 2010 and Decree No. 37/2002 on General Tenders and Government Procurement Regulations, and Implementing Regulations	Government procurement and the Tender Board
Law No. 61 of 2006 as amended by Decree-Law No. 46 of 2012	Regulates Free Zones and Logistics areas
Decree No. 41/2002 Legislative decree No. 15 of 1976 as amended by Law No. 1 of 2013	Policies and guidelines for privatization
Intellectual property	
Law No. 22/2006 replacing Copyright Law of 1991 amended by Law No.12 of 2008	Copyright
Law No. 29 of 2009	Amending the Agreement on Trade-related Aspects of Intellectual Property Rights (TRIPS)

Laws/Legislation/Customs	Issue
Law No. 3 of 2011	Trademark and legal protection of copyright and neighbouring rights
Law No. 14/2006 replacing Bahrain Patents, Designs and Trade Marks Regulation, of 1955; Legislative Decree No. 22 of 1977, Replaced by Law No. 1/2004	Patents
Geographical Indications Law No. 16 of 2004	Protection of Geographical Indications
Law No. 5 of 2006 and Law No. 6 of 2006	Integrated Circuits and Industrial designs , Trademarks, Trade secrets
Sector-specific legislation	
CBB Law, issued by Decree No. 64/2006, replacing the BMA Law of 1973 and the Insurance Law (Legislative Decree No. 17 of 1987)	Establishment of the Central Bank of Bahrain and its responsibilities
Law No. 55 of 2009	Convention on Monetary union of GCC and Monetary Council of the member states
Law No. 57 of 2009	Bahrain Stock Exchange
Law No. 38 of 2009	Regulates the professions and Health services

Source: Information provided by the authorities. Viewed at: <http://www.legalaffairs.gov.bh>.

Table A2.2 Selected notifications to the WTO, 1 January 2007-31 December 2013

WTO Agreement	Description of requirement	Periodicity	Most recent notification	Comment
Agriculture				
Article 18.2 DS:1 & DS:2	Domestic support		G/AG/N/BHR/5 11 February 2011	List of DS measures in 2007-2010
Article 18.2 DS:1 & DS:2	Domestic support		G/AG/N/BHR/6 31 October 2011	List of DS measures in 2011
General Agreement on Trade in Services				
Article III:3	Notification		S/C/N/579 4 February 2011	CBB is the successor organization of the Bahrain Monetary Agency
Article XXIV:7(a)p Article V:7(a)	RTA		WT/REG219/N/1 S/C/N/37515 15 September 2006	U.S.-Bahrain Free Trade Agreement in force on 1 August 2006
General Agreement on Tariffs and Trade				
Article XXVIII:5 1994	Invocation of Paragraph 5 of Article XXVIII		G/MA/56 1 April 1997 G/MA/102 7 February 2000	Exercising rights on modification of Schedule XCVIII
Agreement on the Implementation of Article VI				
Article 18.5, Article VI	Laws and regulations	Once, then changes	G/ADP/N/1/BHR/2 G/SCM/N/1/BHR/1 G/SG/N/1/BHR/2 17 July 2009	GCC common Law on anti-dumping, countervailing measures and safeguards
Agreement on the Implementation of Article VII				
Implementation of Customs Value Agreement	Customs Valuation		C/VAL/N/2/BHR/1 17 March 2008	Information on implementation and administration of CVA
Implementation of Article XVII				
Article XVII:4(a)	State Trading Enterprises	Annual	G/STR/N/7/BHR G/STR/N/10/BHR G/STR/N/11/BHR G/STR/N/12/BHR G/STR/N/13/BHR 17 October 2011	State trading activities
Import Licensing				
Article 1.4(a) & 8.2 (b)	Import Licensing Laws and regulations	Once, then changes	G/LIC/N/1/BHR/1 13 June 1997	No legislation on import licensing procedures
LIC Article 7.3	Import Licensing	Once, then changes	G/LIC/N/3/BHR/1 15 September 2000	No import licence requirements
ILPA Article 7.3	Import Licensing	Once, then changes	G/LIC/N/3/BHR/2 23 January 2012	List of prohibited imports for Kingdom of Bahrain
Subsidies and Countervailing Measures				
Article 25.1 - Article XVI:1	Subsidies	Annual	G/SCM/N/220/BHR 24 January 2012	No Subsidies granted or maintained in the Bahrain territory

WTO Agreement	Description of requirement	Periodicity	Most recent notification	Comment
Safeguards				
Article 12.6	Safeguards	Once, then changes	G/ADP/N/1/BHR/2 G/SCM/N/1/BHR/1; G/SG/N/1/BHR/2 17 July 2009	GCC common Law on anti-dumping, countervailing measures and safeguards
Sanitary and Phytosanitary Measures				
	Enquiry Point		G/SPS/NNA/10 G/SPS/ENQ/20 6 October 2006	NNA and enquiry point is the Directorate of Public Health for food safety; the Directorate of Welfare under the Ministry of Municipal Affairs and Agriculture for animal and plant health
	Notifications		G/SPS/N/BHR/125 G/SPS/N/BHR/124 G/SPS/N/BHR/123 17 April 2012	Requirements on some food products
Article 7 Annex B	Sanitary and Phytosanitary Measures	Ad hoc	G/SPS/N/BHR/7 G/SPS/N/BHR/6 G/SPS/N/BHR/5 7 November 2005	Emergency measures
Technical Barriers to Trade				
Article 2.9	Notifications		G/TBT/N/BHR/8 G/TBT/N/BHR/7 G/TBT/N/BHR/6 3 November 2006	Notification of technical regulations
Article 5.6	Notifications		G/TBT/N/BHR/5 2 August 1996 G/TBT/N/BHR/2 14 January 2005	Notification of technical regulations
	Establishment of Enquiry Point		G/TBT/ENQ/28 27 October 2006	Bahrain Standards and Metrology Directorate (BSMD)
Trade-Related Investments Measures				
Article 6.2	Investment		G/TRIMs/N/2/Rev.1 1/Add.5 14 October 2004	Domestic and foreign investment law and regulations
Trade-Related Aspects of Intellectual Property Rights				
TRIPS Article 63.2	Copyright and neighbouring rights	Once, then changes	IP/N/1/BHR/4 22 October 2004	Law on Patents & Utility Models, on Trade Secrets, and on Geographical Indications
Article 69	Contact points	Once, then changes	IP/N/3/Rev.4/Add.4 25 October 2000	Ministry of Commerce – Agencies and Industrial Property Directorate

Source: WTO documents.

Table A3.1 Applied MFN tariff averages by HS 2-digit level, 2013

HS	Description	No. of lines	Average (%)	Range (%)	Share of duty-free lines (%)
	Total/Average	7,303	5.1	0-125	11.1
01.	Live animals	52	0.0	0	94.2
02.	Meat and edible meat offal	85	4.2	0-5	16.5
03.	Fish and crustaceans, molluscs and other aquatic invertebrates	224	3.3	0-5	34.8
04.	Dairy produce; birds' eggs; natural honey; edible products of animal origin, not elsewhere specified or included	48	4.8	0-5	4.2
05.	Products of animal origin, not elsewhere specified or included	29	5.0	5	0.0
06.	Live trees and other plants; bulbs, roots and the like; cut flowers and ornamental foliage	20	3.3	0-5	35.0
07.	Edible vegetables and certain roots and tubers	83	2.5	0-5	49.4
08.	Edible fruit and nuts; peel of citrus fruit or melons	83	2.4	0-5	51.8
09.	Coffee, tea, maté and spices	44	3.6	0-5	27.3
10.	Cereals	32	0.6	0-5	87.5
11.	Products of the milling industry; malt; starches; inulin; wheat gluten	85	3.8	0-5	24.7
12.	Oil seeds and oleaginous fruits; misc grains, seeds and fruit; industrial or medicinal plants; straw and fodder	76	2.8	0-5	39.5
13.	Lac; gums, resins and other vegetable saps and extracts	28	5.0	5	0.0
14.	Vegetable plaiting materials; vegetable products not elsewhere specified or included	9	5.0	5	0.0
15.	Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes	63	5.0	5	0.0
16.	Preparations of meat, of fish or of crustaceans, molluscs or other aquatic invertebrates	52	5.0	5	0.0
17.	Sugars and sugar confectionery	40	6.4	0-125	32.5
18.	Cocoa and cocoa preparations	20	17.0	5-125	0.0
19.	Preparations of cereals, flour, starch or milk; pastry cooks' products	53	4.7	0-5	5.7
20.	Preparations of vegetables, fruit, nuts or other parts of plants	117	5.0	5	0.0
21.	Miscellaneous edible preparations	41	4.9	0-5	2.4
22.	Beverages, spirits and vinegar	40	52.9	0-125	2.5
23.	Residues and waste from the food industries; prepared animal fodder	30	8.8	0-125	3.3
24.	Tobacco and manufactured tobacco substitutes	20	100.0	100	0.0
25.	Salt; sulphur; earths and stone; plastering materials, lime and cement	97	5.0	5	0.0
26.	Ores, slag and ash	37	5.0	5	0.0
27.	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	77	5.0	5	0.0
28.	Inorganic chemicals; organic or inorganic compounds of precious metals, of rare-earth metals, of radioactive elements or of isotopes	269	5.1	0-20	0.7
29.	Organic chemicals	481	4.2	0-5	15.4
30.	Pharmaceutical products	40	0.0	0	100.0
31.	Fertilizers	29	5.0	5	0.0

HS	Description	No. of lines	Average (%)	Range (%)	Share of duty-free lines (%)
32.	Tanning or dyeing extracts; tannins and their derivatives; dyes, pigments and other colouring matter; paints and varnishes; putty and other mastics; inks	76	5.0	5	0.0
33.	Essential oils and resinoids; perfumery, cosmetic or toilet preparations	63	5.0	5	0.0
34.	Soap, organic surface-active agents, washing preparations, lubricating preparations, artificial waxes, prepared waxes, polishing or scouring preparations, candles and similar articles, modelling pastes, dental waxes and dental preparations with a basis	48	5.0	5	0.0
35.	Albuminoidal substances; modified starches; glues; enzymes	32	5.0	5	0.0
36.	Explosives; pyrotechnic products; matches; pyrophoric alloys; certain combustible preparations	11	5.0	5	0.0
37.	Photographic or cinematographic goods	38	5.0	5	0.0
38.	Miscellaneous chemical products	112	4.9	0-5	2.7
39.	Plastics and articles thereof	157	5.5	5-20	0.0
40.	Rubber and articles thereof	116	5.0	5	0.0
41.	Raw hides and skins (other than furskins) and leather	37	5.0	5	0.0
42.	Articles of animal gut (other than silk-worm gut)	34	5.0	5	0.0
43.	Furskins and artificial fur; manufactures thereof	15	5.0	5	0.0
44.	Wood and articles of wood; wood charcoal	152	4.9	0-5	2.0
45.	Cork and articles of cork	18	5.0	5	0.0
46.	Manufactures of straw, of esparto or of other plaiting materials; basketware and wickerwork	20	5.0	5	0.0
47.	Pulp of wood or of other fibrous cellulosic material; recovered (waste and scrap) paper and paperboard	22	5.0	5	0.0
48.	Paper and paperboard; articles of paper pulp, of paper or of paperboard	122	5.3	0-20	0.8
49.	Printed books, newspapers, pictures and other products of the printing industry; manuscripts, typescripts and plans	52	1.4	0-5	71.2
50.	Silk	9	5.0	5	0.0
51.	Wool, fine or coarse animal hair; horsehair yarn and woven fabric	50	5.0	5	0.0
52.	Cotton	124	5.0	5	0.0
53.	Other vegetable textile fibres; paper yarn and woven fabrics of paper yarn	23	5.0	5	0.0
54.	Man-made filaments	73	5.0	5	0.0
55.	Man-made staple fibres	109	5.0	5	0.0
56.	Wadding, felt and non-woven; special yarns; twine, cordage, ropes and cables and articles thereof	43	5.4	5-20	0.0
57.	Carpets and other textile floor coverings	49	5.0	5	0.0
58.	Special woven fabrics; tufted textile fabrics; lace; tapestries; trimmings; embroidery	41	5.0	5	0.0
59.	Impregnated, coated, covered or laminated textile fabrics; textile articles of a kind suitable for industrial use	36	5.0	5	0.0
60.	Knitted or crocheted fabrics	43	5.0	5	0.0

HS	Description	No. of lines	Average (%)	Range (%)	Share of duty-free lines (%)
61.	Articles of apparel and clothing accessories, knitted or crocheted	106	5.0	5	0.0
62.	Articles of apparel and clothing accessories, not knitted or crocheted	148	5.0	5	0.0
63.	Other made up textile articles; sets; worn clothing and worn textile articles; rags	91	5.0	5	0.0
64.	Footwear, gaiters and the like; parts of such articles	33	5.0	5	0.0
65.	Headgear and parts thereof	22	5.0	5	0.0
66.	Umbrellas, sun umbrellas, walking-sticks, seat-sticks, whips, riding-crops and parts thereof	8	5.0	5	0.0
67.	Prepared feathers and down and articles made of feathers or of down; artificial flowers; articles of human hair	11	5.0	5	0.0
68.	Articles of stone, plaster, cement, asbestos, mica or similar materials	95	5.0	5	0.0
69.	Ceramic products	45	5.0	5	0.0
70.	Glass and glassware	89	4.8	0-5	3.4
71.	Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad with precious metal, and articles thereof; imitation jewellery; coin	65	3.1	0-5	35.4
72.	Iron and steel	183	5.0	5	0.0
73.	Articles of iron or steel	182	5.0	5	0.0
74.	Copper and articles thereof	60	5.0	5	0.0
75.	Nickel and articles thereof	23	5.0	5	0.0
76.	Aluminium and articles thereof	62	6.5	5-20	0.0
78.	Lead and articles thereof	8	5.0	5	0.0
79.	Zinc and articles thereof	23	5.0	5	0.0
80.	Tin and articles thereof	9	5.0	5	0.0
81.	Other base metals; cermets; articles thereof	52	5.0	5	0.0
82.	Tools, implements, cutlery, spoons and forks, of base metal; parts thereof of base metal	73	5.0	5	0.0
83.	Miscellaneous articles of base metal	62	5.0	5	0.0
84.	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	614	4.2	0-5	16.3
85.	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles	333	3.3	0-5	34.5
86.	Railway or tramway locomotives, rolling-stock and parts thereof; railway or tramway track fixtures and fittings and parts thereof; mechanical (including electro-mechanical) traffic signalling equipment of all kinds	23	5.0	5	0.0
87.	Vehicles other than railway or tramway rolling-stock, and parts and accessories thereof	183	4.9	0-5	1.6
88.	Aircraft, spacecraft, and parts thereof	15	2.7	0-5	46.7
89.	Ships, boats and floating structures	24	1.5	0-5	70.8
90.	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof	207	4.2	0-20	18.4
91.	Clocks and watches and parts thereof	53	5.0	5	0.0
92.	Musical instruments; parts and accessories of such articles	26	5.0	5	0.0

HS	Description	No. of lines	Average (%)	Range (%)	Share of duty-free lines (%)
93.	Arms and ammunition; parts and accessories thereof	23	5.0	5	0.0
94.	Furniture; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings; lamps and lighting fittings, not elsewhere specified or included; illuminated signs, illuminated name-plates	102	5.3	5-20	0.0
95.	Toys, games and sports requisites; parts and accessories thereof	37	5.0	5	0.0
96.	Miscellaneous manufactured articles	73	5.4	5-20	0.0
97.	Works of art, collectors' pieces and antiques	11	5.0	5	0.0

Note: Calculations of averages are based on national tariff line level (HS 8-digit).

Source: WTO Secretariat estimates, based on data provided by the authorities.