

# U.S. Country Commercial Guides



## Kingdom Of Bahrain 2018

## Table of Contents

<b><i>Doing Business in Bahrain</i></b> .....	<b>5</b>
Market Overview .....	5
Market Challenges .....	5
Market Opportunities .....	5
Market Entry Strategy .....	6
<b><i>Political Environment</i></b> .....	<b>7</b>
Political Environment .....	7
<b><i>Selling US Products &amp; Services</i></b> .....	<b>8</b>
Using an Agent to Sell US Products and Services .....	8
Establishing an Office .....	8
Franchising .....	9
Direct Marketing .....	9
Joint Ventures/Licensing .....	9
Selling to the Government .....	10
Distribution & Sales Channels .....	11
Express Delivery .....	11
Selling Factors & Techniques .....	11
eCommerce .....	11
Trade Promotion & Advertising .....	14
Pricing .....	14
Sales Service/Customer Support .....	15
Protecting Intellectual Property .....	15
Due Diligence .....	17
Local Professional Services .....	17
Principal Business Associations .....	17
Limitations on Selling US Products and Services .....	18
Web Resources .....	18
<b><i>Leading Sectors for US Exports &amp; Investments</i></b> .....	<b>20</b>
Construction & Infrastructure .....	21
Oil and Gas .....	23
Petrochemicals .....	24
<b><i>Customs, Regulations &amp; Standards</i></b> .....	<b>27</b>
Trade Barriers .....	27

Import Tariff	27
Import Requirements & Documentation	28
Customs Procedures	28
Import Customs Clearance Procedure	29
Labeling/Marking Requirements	29
U.S. Export Controls	30
Prohibited & Restricted Imports	30
Customs Regulations and Standards	32
Standards for Trade	32
Trade Agreements	33
Licensing Requirements for Professional Services	34
Web Resources	34
<b><i>Investment Climate Statement</i></b>	<b>36</b>
Executive Summary	36
Openness To, and Restrictions Upon, Foreign Investment	37
Bilateral Investment Agreements and Taxation Treaties	38
Legal Regime	39
Industrial Policies	43
Protection of Property Rights	45
Financial Sector	47
Responsible Business Conduct	50
Corruption	50
Political and Security Environment	52
Labor Policies and Practices	52
OPIC and Other Investment Insurance Programs	53
Foreign Direct Investment and Foreign Portfolio Investment Statistics	54
Contact for More Information	56
<b><i>Trade &amp; Project Financing</i></b>	<b>57</b>
Methods of Payment	57
Banking Systems	57
Foreign Exchange Controls	58
US Banks & Local Correspondent Banks	58
Project Financing	58
<b><i>Business Travel</i></b>	<b>60</b>
Business Customs	60

<b>Travel Advisory</b>	<b>60</b>
<b>Visa Requirements</b>	<b>60</b>
<b>Currency</b>	<b>61</b>
<b>Telecommunications/Electronics</b>	<b>62</b>
<b>Transportation</b>	<b>62</b>
<b>Language</b>	<b>62</b>
<b>Health</b>	<b>63</b>
<b>Local Time, Business Hours and Holidays</b>	<b>63</b>
<b>Temporary Entry of Materials or Personal Belongings</b>	<b>64</b>
<b>Travel Related Web Resources</b>	<b>64</b>

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# Doing Business in Bahrain

## Market Overview

- Bahrain and Oman are the two Gulf Cooperation Council (GCC) members to have a Free Trade Agreement (FTA) with the United States.
- Bahrain permits 100 percent foreign-ownership of a business or branch office, without the need for a local partner.
- Bahrain has no tax on corporate income, personal income, wealth, capital gains, withholding, or death/inheritance.
- Bahrain has no restrictions on repatriation of capital, profits or dividends.
- The Heritage Foundation ranked Bahrain as the world's 50th freest economy in its 2018 Index of Economic Freedom, behind only Qatar and the UAE among GCC member states.
- The World Bank ranked Bahrain 66th out of 190 countries for ease of doing business in its "Doing Business 2017" report.
- Many U.S. businesses have done well in Bahrain and are dominant in major sectors such as oil and gas, engineering, and information and communications technology (ICT).
- Bahrain's real GDP grew by 3.9 percent in 2017, up from 3 percent in 2016. Although real GDP growth rates have slowed considerably since 2013, mostly due to declining revenues from hydrocarbons sales, real GDP growth in non-hydrocarbons sectors grew from 3.2 percent in 2016 to 5 percent in 2017.
- Bahrain has been ranked by Internations, the largest international community for people who live and work abroad, as the first preferred destination for expatriates worldwide in 2017. The number of foreign workers in the Kingdom estimated to be 764,000 in the first half of 2017, a large segment of those are Third Countries Nationals primarily from South Asian nations working in construction, services, health sector and transportation.

## Market Challenges

- Although foreign companies are not required to have local partners, local businessmen with strong government contacts can sometimes influence government decision-making.
- Interpretation and application of the law sometimes varies by ministry and may depend on the stature and connections of an investor's local partner.
- The "Bahrainization" of the labor force – a quota system requiring employers to employ a minimum percentage of Bahrainis – can sometimes lead to delays and confusion over work permit issuance and renewal. In 2017, the Bahraini Government introduced a system that allows companies to pay a fee in lieu of meeting Bahrainization quotas.

Many of the largest infrastructure projects in Bahrain are funded by Bahrain's wealthier GCC neighbors through the so-called GCC Stabilization Fund. Although those projects are tendered via the Bahrain Tender Board, final award decisions often are made by the country that funds the project, which may override the Tender Board's recommendation.

## Market Opportunities

- The Bahraini Government announced in April 2018 the discovery of the largest oil and gas discovery since the Kingdom's first oil was discovered in the 1930s. The deposits are estimated to consist of at least 80 billion barrels of tight oil and between 10 and 20 trillion cubic feet of deep natural gas. If the oil deposits prove to be viable, government and industry officials anticipate a significant increase in Bahrain's oil production.

- The non-petroleum sector of Bahrain's economy continues to grow at rates above historic trends. Growth areas include: high-value manufacturing and industrial services, information technology, health care and medical equipment, construction and engineering, ports, professional services, renewable energy, and tourism.
- Financial technologies (FinTech) is also a growing sector in Bahrain. As part of the Bahraini Government's push to reinforce its position as a financial center in the region, the Bahrain Economic Development Board and Singapore's FinTech Consortium inaugurated the MENA region's largest FinTech hub, Bahrain FinTech Bay, in 2017. Bahrain FinTech Bay hosts companies involved in digital banking, e-wallets, blockchain, smart contracts, artificial intelligence, risk management, and other FinTech specializations. The hub aims to further the development and acceleration of FinTech firms as well as the interaction between investors, entrepreneurs, government bodies and financial institutions.
- The Bahraini Government plans to increase Bahrain's land area by more than 15 percent in the coming years by reclaiming land for commercial development.
- The Bahraini Government has initiated major development projects in the infrastructure and transportation sectors, including quadrupling the size of Bahrain International Airport, building a second causeway to Saudi Arabia, expanding roads to less developed parts of the island, and connecting all citizens to the fiber-optic network.
- Plans to expand and upgrade production lines at state-owned enterprises, including Aluminum Bahrain (ALBA), Gulf Petrochemicals Industries Company (GPIC), and Bahrain Petroleum Company (BAPCO), are in process or the planning stage. The Bahraini Government also has initiated construction of an LNG import terminal.
- Companies that produce qualifying manufactured products in Bahrain can access Gulf Cooperation Council (GCC) markets duty free under the GCC Customs Union.

### **Market Entry Strategy**

- The Bahrain Investors' Center provides a one-stop-shop for setting up a business in Bahrain. For information, visit:  
[www.moic.gov.bh/En/MoIC%20Centers/BahrainInvestorsCenter/Pages/index.aspx](http://www.moic.gov.bh/En/MoIC%20Centers/BahrainInvestorsCenter/Pages/index.aspx).
- An American company may register as a fully U.S.-owned company under the FTA.
- It is advantageous to maintain an on-the-ground presence in Bahrain, if possible.
- Though not required, a carefully selected local partner can help advise U.S. firms on advertising, promotion, and pricing.

Personal relationships can significantly increase a company's business prospects. Maintaining business relationships with regular communication and face-to-face contact also is important.

# Political Environment

## Political Environment

For background information on the political and economic environment of Bahrain, please read [U.S. Department of State Background Notes](https://www.state.gov/r/pa/ei/bgn/2698.htm) at [www.state.gov/r/pa/ei/bgn/2698.htm](https://www.state.gov/r/pa/ei/bgn/2698.htm)

# Selling US Products & Services

## Using an Agent to Sell US Products and Services

The U.S.-Bahrain Free Trade Agreement (FTA) and Bilateral Investment Treaty (BIT) ensure American companies no longer need to appoint a local commercial agent, though they may opt to do so. A commercial agency arrangement enables foreign investors to access the market without having to establish a direct presence in Bahrain. A commercial agent is any Bahraini party appointed by a foreign party to represent the foreign party's product or service in Bahrain. Local law governs the relationship, whether the relationship is structured as a distributorship, sales agency, or otherwise. As in other Gulf countries, regular, personal contact is the key to success in trade relationships.

A company's office qualifies as a regional office if the company services even one additional GCC country from the office. Bahraini law does not require foreign companies to hire a local agent or partner to establish a regional office in Bahrain. Nevertheless, U.S. companies setting up regional offices typically find it useful to have a relationship with a local representative, particularly to deal with the local bureaucracy.

The law governing the relationship between a Bahraini agent and foreign principal is the Commercial Agencies Law promulgated by Legislative Decree No. 10 of 1992 and its Implementing Regulations, Ministerial Order No. 2 of 1993. The law was amended by Legislative Decree No. 8 of 1998 and Legislative Decree No. 49 of 2002 (also known as the 'Agency Law').

## Establishing an Office

Companies wishing to open an office in Bahrain must first register at the Bahrain Investors' Center (BIC), located in the Bahrain Financial Harbor in Manama. Operated by the Ministry of Industry, Commerce and Tourism (MoICT), the BIC is a "One-Stop Shop" where representatives from all the different ministries involved in the registration of a business, as well as representatives from financial institutions, legal entities, and telecommunication companies, come together to support registrants. Some commercial activities such as tourism, entertainment, schools, nurseries (daycare), and training institutions, however, may require approval from other government agencies.

MoICT's Domestic Trade Affairs Directorate regulates all commercial licenses and activities in Bahrain. MoICT's Commercial Registration (CR) Department issues commercial licenses, collects registration fees, processes CR applications, publishes announcements in the official gazette, and provides counseling services to potential investors.

Applicants may obtain a commercial license application form from the BIC in the Bahrain Financial Harbor, or electronically from MoICT's website: [www.sijilat.bh](http://www.sijilat.bh).

Bahrain Investors' Center

Bahrain Financial Harbor

Harbor Gate

PO Box 2210

Manama, Kingdom of Bahrain

Tel : +973 1756-2222

Email: [customer\\_relations@moic.gov.bh](mailto:customer_relations@moic.gov.bh)

Business hours: 7:30 a.m. -2:00 p.m. Sunday-Thursday

Website: [www.moic.gov.bh/En/Pages/Home.aspx](http://www.moic.gov.bh/En/Pages/Home.aspx)

Email: [customer\\_relations@commerce.gov.bh](mailto:customer_relations@commerce.gov.bh) or [invest@bahrainedb.com](mailto:invest@bahrainedb.com)

## **Franchising**

The demand for U.S. franchises remains strong in Bahrain, particularly in the fast food, restaurant, and retail sectors. More than one hundred U.S. franchise restaurants and outlets operate in Bahrain, with new ones opening regularly. Many major brands are present in Bahrain, among them: Five Guys, Texas Roadhouse, Baskin Robbins, Burger King, Caribou Coffee, Chili's, Cold Stone Creamery, Dairy Queen, Domino's, Dunkin Donuts, Elevation Burger, Fuddruckers, the Great American Bagel Co., Hardee's, IHOP, Kentucky Fried Chicken, Krispy Kreme, Little Caesar's, McDonald's, Nestle Toll House, Papa Johns, Pizza Hut, Potbelly, Romano's Macaroni Grill, Roundtable Pizza, Seattle's Best Coffee, Starbucks, Subway, TCBY, Texas Chicken, Tony Roma's, and ZPizza. Although Bahrain's market seems to be very receptive to new franchising opportunities, it is a competitive medium with a variety of local and international franchises and many of them utilize broadly popular internet and app-based food delivery services, including Talabat and Carriage, to advertise and compete.

Bahraini firms are eager to establish new market opportunities and are interested in investing in foreign franchise concepts. Most franchisees finance their franchise purchases through bank loans, personal savings or family investment funds. Local businesses increasingly view franchising as an opportunity to establish additional consumer-oriented businesses. The franchise market is growing rapidly in several sectors, among them fast food and restaurants, hospitality, automotive services and spare parts, high-end fashion, printing, and convenience stores.

The Bahraini Government has yet to develop a specialized body of legislation to regulate franchising activities. Franchise agreements are governed by standard commercial laws. Bahrain's legislation for regulating patents and trademarks constitutes the most specialized body of commercial laws that apply to franchising activities. Bahrain is a member of the World Trade Organization (WTO) and has ratified the WTO TRIPS agreement. The Bahraini Government has brought its national laws and regulations into compliance with the principles of both these agreements. Bahrain is also a member of the World Intellectual Property Organization (WIPO) and a signatory of the Berne Convention for the Protection of Literary and Artistic Works and the Paris Convention for the Protection of Industrial Property. Registered patents are valid for 15 years, renewable for an additional period of five years. Trademark registration is valid for ten years.

The Investment and Technology Promotion Office in Bahrain, operating under the UN Industrial Development Organization (UNIDO), has been promoting franchising as a model for helping grow small and medium-sized enterprises (SMEs) and attracting local and foreign investment. A major step towards reaching this objective has been the establishment of the Franchise Association for the Middle East (FAME), co-founded by the OECD MENA Investment Center and the Lebanese Franchise Association (LFA).

## **Direct Marketing**

Businesses in Bahrain mainly use traditional advertising methods, such as printed ads in local newspapers and magazines, fairs and exhibitions, signboards and billboards. Advertising also is possible on Bahraini television and radio. Many businesses distribute flyers in residential neighborhoods. It is possible to advertise on the internet and via text messaging on cellular networks. The major mobile phone service providers are Batelco, Viva and Zain. Bahrain regularly hosts trade shows, which provide good opportunities to market to importers and distributors.

## **Joint Ventures/Licensing**

The demand for joint ventures and licensing opportunities remains strong in Bahrain. The infrastructure, ICT, electricity, water, tourism, training and education sectors have been privatized and are important growth sectors in the economy.

American companies are attractive to Bahraini partners due to their brand recognition and potential opportunities for technology transfer.

Bahrain's Commercial Companies Law permits joint ventures between parties. A joint venture agreement must specify the parties' rights and obligations and determine the division of profits and losses. There are no other specific formalities for parties to enter into a joint venture (such as registration). Joint ventures in Bahrain have no corporate identity. Since all business activity in Bahrain must be conducted through a company or an individual establishment, third parties have recourse against a company or individual establishment, not directly against the joint venture.

In practice, individuals from a foreign company and a local business who want to engage in a joint venture are likely to set up a new company. Establishing a limited liability company is the most popular business vehicle for this purpose. The parties' relationship is governed by the constitutional documents of the new company, in particular the memorandum of association. However, some parties also draw up additional agreements to govern their relationship. These are enforceable only to the extent that they are not contrary to the laws of Bahrain.

The Commercial Section of the U.S. Embassy helps match American and Bahraini firms looking to form joint ventures in both the local and regional market.

### **Selling to the Government**

Many governments finance public works projects through borrowing from multilateral development banks. Please refer to "Project *Financing*" Section in "*Trade and Project Financing*" for more information.

In October 2002, Bahrain implemented a government procurement law to establish the basic framework for a transparent, rules-based government procurement system. The law requires certain procurements to be conducted as international public tenders open to foreign suppliers. The law established a tender board to oversee all government tenders and purchases.

All major civilian projects and government acquisitions valued at BD 10,000 (\$26,667) or more are posted on the website of Bahrain's Tender Board, [www.tenderboard.gov.bh](http://www.tenderboard.gov.bh). The Tender Board determines the terms of bidding, invitations for bids and selection of firms for awards. The Tender Board advertises its tender openings and decisions on its website, and in local media. Tender opportunities are published in English and Arabic. Contracts are generally, but not necessarily, awarded to the lowest bidder.

Government procurement contracts are subject to the requirements of the U.S.-Bahrain Free Trade Agreement (FTA). The FTA, however, does not govern military procurement and other procurements deemed a matter of Bahrain's national security. For government sales, except where an agent is not permitted (e.g., sales to the Bahrain Defense Force or Ministry of Interior), it is generally advisable to have a local agent serve as a point-of-contact, provide advice on tender preparation, and act as "eyes and ears" on the ground. Bidders must meet the specifications set out in the tender and offer a competitive price to be successful. A local agent can provide valuable advice on pricing, timing, and key contacts.

The Government of Bahrain is not a signatory to the OECD Convention on Combating Bribery.

For GCC Development Plan-funded projects, Bahrain must honor financial agreements with the GCC country funding the project. Although tenders for these programs often are issued by the Bahrain Tender Board, they may be subject to tendering rules of the GCC country funding the project. U.S. companies should carefully research tenders they pursue to determine whether the project is subject to GCC Development Plan funding requirements.

## Distribution & Sales Channels

Most goods enter Bahrain through [Khalifa bin Salman Port](#) (Mina Khalifa) in the Hidd Industrial Area, Bahrain's main import/export hub. The port is located in northeast Bahrain, approximately 13 km from Bahrain International Airport and 55 km from the Eastern Province of Saudi Arabia. Since beginning operations in 2009, the Khalifa Bin Salman Port has established itself as a leading transshipment hub in the region.

The adjacent [Bahrain Logistics Zone](#) has the potential to make the Kingdom a major air-sea cargo hub and a center for industrial development. The Government offers a number of incentives to attract foreign direct investment to this customs-free zone.

Bahrain benefits from good road infrastructure, providing the ability to transport throughout the region with easy access to other Gulf markets. The much larger economy of Saudi Arabia is located just a 25 km drive away across the King Fahd Causeway.

Port: [Khalifa bin Salman Port](#)

Airport: [Bahrain International Airport](#)

Sea Transportation: [Ministry of Transportation and Telecommunications, Ports and Maritime Authority](#)

Air Transportation: [Ministry of Transportation and Telecommunications, Civil Aviation Affairs](#)

Road and Rail Transportation: [Ministry of Transportation and Telecommunications, Land Transport Affairs](#)

In recent years, companies sometimes have experienced delays in transporting their products across the Causeway into Saudi Arabia. We encourage American companies to notify the U.S. Embassy's Commercial Section when there are significant delays on the Causeway.

The Bahrain retail sector has been experiencing strong growth in the last decade but remains modest compared to those in neighboring Gulf countries. The sector is still dominated by traditional markets (souks) and corner shops, many of which sell traditional goods and services such as gold, textiles and sweets. Modern distribution channels are nevertheless becoming more prominent, with the appearance of large malls, supermarkets, and hypermarkets. The Kingdom's retail sector is dynamic thanks in part to a growing tourism sector – tourists from Saudi Arabia flock to Bahrain on the weekends to dine in local restaurants and shop in local malls.

## Express Delivery

Major global express delivery companies, such as DHL, FedEx, UPS, ARAMEX, Sky Net and others, operate in Bahrain. Transit times vary but for packages shipped from the U.S. to Bahrain, the average time is two to three days, not including the customs clearance process. Customs procedures and requirements are standard and can be found on the [Bahrain Customs website](#). De minimis amounts are not applicable in Bahrain.

## Selling Factors & Techniques

A carefully selected local partner can advise U.S. firms on advertising, promotion, and pricing. Due to differences in culture, techniques and marketing language that are effective in the United States may not be effective in Bahrain. A local partner can help navigate language and cultural issues.

## eCommerce

E-commerce is rapidly expanding in Bahrain. Computer-literacy rates are high and businesses recognize the commercial value of the internet. Bahrain has an internet penetration rate above 96 percent, which has led to higher online shopping rates than in other GCC states.

Bahrain has an Electronic Transactions law that recognizes the validity of electronic transactions. In a push to use this technological opening, MoICT operates an electronic governance program and a directorate for electronic commerce to promote e-commerce services. Banks offer electronic banking, and many utility companies now accept electronic transactions for bill payments.

Legislative Decree No. 28 of 2002 covers:

- The application of electronic records and signatures.
- Electronic transactions, records.
- Legal recognition of electronic records in evidence.

Bahraini authorities have yet to register any accredited certification service providers; therefore, documents signed electronically will not automatically benefit from the presumption of authenticity and thus they cannot be considered legally equivalent to handwritten signatures.

Bahrain's Information and eGovernment Authority (IGA) enhances the services provided by the government to citizens, foreigners, the private sector, and investors.

Bahrain's digital strategy focuses on eight pillars: increased participation and engagement; increased partnerships and private sector ICT readiness; improved national e-literacy and government IT skills; heightened protection of information and user rights; a higher-performing, collaborative, integrated, and efficient government; comprehensive and effectively managed quality service; enhanced e-government channels and user experience with increased service uptake; and greater innovation and entrepreneurship. MoICT permits online commercial registration to companies with 100-percent Bahraini ownership, in part to encourage the development of e-commerce activities in the Kingdom.

There are many obstacles to the growth of online businesses, among them low adoption rates of online retail by local businesses, the predominance of cash on delivery payments and low consumer acceptance of online shopping, compared to international benchmarks.

The ICT sector constitutes a major pillar of Bahrain's economy. It is one of the core sectors the Bahrain Economic Development Board has focused on developing, both to attract direct foreign investment and to expand local employment. Recent years have seen a significant expansion in the ICT landscape, as well as a push towards cutting-edge technologies, including FinTech.

Travel bookings have been the leading product category purchased online, and shoppers are increasingly beginning to purchase physical products online as well, particularly electronics, computers, and jewelry. Online shopping for clothing also has begun to gain in popularity. Online food delivery services are also growing in popularity and present market opportunities.

Bahrain's National E-Government Strategy 2016 constructed Bahrain's digital strategy on eight pillars: increased society participation and engagement; increased partnerships and private sector ICT readiness; improved national e-literacy and government IT skills; heightened protection of information and user rights; higher performing, collaborative, integrated, and efficient government; comprehensive and effectively managed quality service offering; enhanced e-government channels and user experience with increased service uptake; and greater innovation and entrepreneurship.

Bahrain claims to be the fastest-growing B2C e-commerce market in the region. However, as of 2016 B2C e-commerce transactions accounted for only for five percent of total retail sales and eight percent to the gross domestic product.

The main challenges faced by the e-commerce sector in Bahrain are:

- Finding the required funds to start a business;
- Compliance with legal, regulatory and governmental requirements;
- Finding skilled human capital;
- Identifying proper investment opportunities.

According to surveys, social media, followed by websites and retailers, are the most effective distribution channels for eCommerce businesses.

The kingdom's matured industries/sectors in terms of E-Commerce involvement, and participation in the GDP are:

- Telecommunications
- Financial Services
- Government Services
- Information Technology
- Tourism
- eWholesaler / eRetailer

International websites such as Souq.com, Amazon, and eBay are among the most popular shopping destinations for online consumers in the Middle East.

Local merchants have largely kept their products off online platforms, so Bahrain-based customers often purchase goods online from other GCC states or markets farther afield. Cross-border internet shopping is common and the main products purchased online are electronics, clothes, beauty products and jewelry, including watches.

The top enabling factors for cross-border shopping are:

- Free shipping;
- Safe payment portals;
- Items that are not available locally.

The main deterrents to cross-border shopping are:

- Delivery / shipping fees;
- Identity theft / fraud;
- Items that do not arrive in the mail as described at purchase.

The Most Popular e-commerce websites in Bahrain are:

- Souq.com
- Genuineclassifieds.com
- Amazon.in
- Jadopado.com
- opensooq.com
- eBay
- Alibaba.com
- Talabat.com

The BENEFIT Company (Bahrain's Electronic Network for Financial Transactions) is the national gateway that handles payments or electronic money transfers in Bahrain and is the backbone of the Kingdom's financial services industry. It is licensed by the Central Bank of Bahrain as a provider of ancillary services to the financial sector. Services include managing the national ATM switch system and switching local debit card transactions at the point of sale, as well as operating the Kingdom's credit reference bureau, internet banking shared platform, direct debit, payments gateway, check clearinghouse, and dispute management systems.

By the mid-2000s and due to the increased demand for online payment facilities in Bahrain, the BENEFIT Company and ACI Worldwide created a national payments gateway that enabled members to process online transactions made with all locally issued debit cards, as well as VISA, MasterCard, Amex and JCB credit cards.

Mobile commerce has high potential in the Middle East, as smart phone and tablet penetration is high. Social media has become a popular medium for advertising, and for personal purposes. The 2017 usage penetration rates in Bahrain were 85 percent for WhatsApp, 93 percent for Facebook, Instagram at 61 percent for Instagram, 72 percent for Twitter, and 44 percent for YouTube.

## Trade Promotion & Advertising

Bahrain-based trade shows can provide U.S. firms with an opportunity to increase brand awareness, identify investment opportunities, and locate trade partners, importers and distributors. The Government of Bahrain wants to attract new exhibition and conference participants and expand Bahrain's role as a regional exposition and conference hub. There are plans to build a new exhibition hall near the Bahrain International Circuit in Zallaq.

[The Bahrain Tourism and Exhibitions Authority](#), [Hilal Conferences & Exhibitions](#) and Arabian Exhibition Management ([www.aemallworld.com/](http://www.aemallworld.com/)) are Bahrain's leading **organizations** for **organizing** local and international trade shows and exhibitions. Leading exhibitions in Bahrain include:

- [The Bahrain International Air Show](#)
- [The Gulf International Industry Fair](#)
- [Jewellery Arabia: \[www.jewelleryarabia.com\]\(http://www.jewelleryarabia.com\)](#)
- [The Middle East Oil & Gas Show & Conference](#)

## Radio and Television

Bahrain Television (BTV) is the country's national network, with separate Arabic and English broadcast channels. Radio Bahrain is the main radio station, broadcasting in English on bandwidth 96.5 FM and 99.5, and in Arabic on 92.3 FM. Dubai-based OSN is the primary provider of subscription (cable) television in Bahrain.

## Newspapers and Magazines

There are two daily English-language newspapers in which companies can advertise: the [Gulf Daily News](#) and the [Daily Tribune](#). Each has a business section that is predominantly read by expatriates. Bahrain has several Arabic-language newspapers. The largest are [Al Ayam](#), [Akhbar Al Khaleej](#), [Al Watan News](#) and [Al Bilad](#). The primary business-oriented publication is Al Ayam's economic supplement. Business-oriented magazines include [Trade Arabia](#), [Gulf Construction](#), [Gulf Industry](#), [Arabian Oil & Gas](#) and the business intelligence website [Zawya](#). English-language lifestyle magazines include [Time Out Bahrain](#), [bizbahrain](#), [Bahrain This Month](#), [Woman This Month](#), and [FACT Bahrain](#).

## Pricing

The Bahraini Government does not levy any sales tax on goods or services and there are no corporate taxes. However, the Bahraini Government introduced an excise tax in 2017 that imposes taxes of 100 percent on tobacco and energy drinks and 50 percent on soft drinks. The Bahraini Government plans to implement a Valued Added Tax (VAT) in early 2019 in conjunction with other GCC member governments.

Government of Bahrain officials have indicated the VAT will target mainly luxury goods. Businesses that sell these goods will be entitled to claim a credit for VAT paid on expenditures relating to their business activities. Most food items, medications, and books are not expected to be subject to the VAT.

Most restaurants charge a ten percent hospitality tax, plus an additional ten to twelve percent “service charge,” a fee that is rarely passed on to wait staff.

Shipping generally adds a considerable cost to items manufactured in the United States, which already face stiff competition from European and Asian suppliers. This disadvantage is periodically counterbalanced by exchange rate shifts between the dollar and European and Asian currencies.

Hard bargaining is common and expected in the local souqs (traditional markets) of Manama and Muharraq, where buyers generally ask for discounts and vendors inflate their initial offers accordingly.

## **Sales Service/Customer Support**

After-sales service directly affects a product’s reputation in Bahrain. A good agent/distributor relationship to facilitate quality service is crucial to success in the Bahraini market. Opening warehouses and after-sales offices in the Gulf to dispatch goods efficiently can help enlarge a company’s client base. Agents who offer superior after-sales service have a competitive advantage over the medium and long term.

## **Protecting Intellectual Property**

In any foreign market, companies should consider several general principles for effective management of their intellectual property. For background on these principles, please link to our articles on [Protecting Intellectual Property](http://www.export.gov/article?id=Protecting-Intellectual-Property) ([www.export.gov/article?id=Protecting-Intellectual-Property](http://www.export.gov/article?id=Protecting-Intellectual-Property)) and [Corruption](http://www.export.gov/article?id=Corruption) ([www.export.gov/article?id=Corruption](http://www.export.gov/article?id=Corruption)).

Under the U.S.-Bahrain FTA, the Bahraini Government committed to enforce world-class intellectual property rights (IPR) protections. The Bahraini Government has signed the Berne Convention for the Protection of Literary and Artistic Works and the Paris Convention for the Protection of Industrial Property. The Bahraini Government ratified revised legislation to implement Bahrain's obligations under the WTO/TRIPS Agreement in 2006. The Bahraini Government has joined the World Intellectual Property Organization (WIPO) Copyright Treaty and the WIPO Performances and Phonograms Treaty and was ranked the 44th country on the World’s Economic Forum 2017-2018 Global Competitiveness Index. The Bahraini Government also has passed laws designed to bring Bahrain's local legislative framework into compliance with its Paris Convention commitments.

- Intellectual property rights in Bahrain are protected under the following national laws:
- Trademarks Law No. 11 of 2006
- Patents and Utility Models Law No. 1 of 2004, as amended by Law 14 of 2006
- Industrial Design Law No. 6 of 2006
- Designs of Integrated Circuits Law No. 5 of 2006
- Copyright and Neighboring Rights Law No. 22 of 2006
- Trade Secrets Law No. 7 of 2003, as amended by Law No. 35 of 2005.

The Bahraini Government has made progress in reducing copyright piracy. The government's copyright enforcement campaign began in late 1997 and was based on inspections, closures, and improved public awareness. The campaign targeted the video, audio, and software industries with impressive results. Most commercially pirated video and audio markets have been eliminated. However, audio, video, and software piracy by end-users remains a problem.

There are no technology transfer requirements that require firms to share or divulge technology through compulsory licensing to a domestic partner, nor are firms required to undertake research and development activities in Bahrain.

For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at [www.wipo.int/directory/en/](http://www.wipo.int/directory/en/).

Several general principles are important for effective management of intellectual property rights in Bahrain:

- First, it is important to have an overall strategy to protect your IPR.
- Second, IPR may be protected differently in Bahrain than in the United States.
- Third, rights must be registered and enforced in Bahrain, under local laws.

Your U.S. trademark and patent registrations will not protect you in Bahrain. There is no such thing as an "international copyright" that will automatically protect an author's writings throughout the entire world. Protection against unauthorized use in a particular country depends, basically, on the national laws of that country. Companies should therefore consider how to obtain patent and trademark protection before introducing products or services to the Bahrain market. It is vital that companies understand that intellectual property is primarily a private right and that the U.S. government cannot enforce rights for private individuals in Bahrain. It is the responsibility of the rights holders to register, protect, and defend their rights where relevant, retaining their own counsel and advisors. Companies may wish to seek advice from local attorneys or intellectual property consultants who are experts in Bahraini law. The U.S. Commercial Service can provide a list of local lawyers upon request.

There are no specialized IPR courts in Bahrain. However, various administrative and judicial methods protect and enforce rights of intellectual property holders. Intellectual property rights holders may file a petition with the court to stop or prevent infringement. Infringers found guilty by the court are punishable by fine and/or imprisonment, and any counterfeit goods identified will be seized and destroyed.

While the U.S. Government stands ready to assist, little can be done if the rights holders have not taken the fundamental steps necessary to secure and enforce their intellectual property in a timely fashion. Moreover, in many countries, rights holders who delay enforcing their rights on a mistaken belief that the USG can provide a political resolution to a legal problem may find that their rights have been eroded or abrogated due to legal doctrines such as statutes of limitations, laches, estoppel, or unreasonable delay in prosecuting a lawsuit. In no instance should U.S. Government advice be seen as a substitute for the responsibility of a rights holder to pursue its case promptly.

It is always advisable to conduct due diligence on potential partners. A good partner is an important ally in protecting IPR. Consider carefully, however, whether to permit your partner to register your IPR on your behalf. Doing so may create a risk that your partner will list itself as the IPR owner and fail to transfer the rights should the partnership end. Keep an eye on your cost structure and reduce the margins (and the incentive) of would-be bad actors. Work with legal counsel familiar with Bahrain laws to create a solid contract that includes non-compete clauses and confidentiality/non-disclosure provisions.

Small and medium-sized enterprises should work together with trade associations and organizations to support efforts to protect IPR and prevent counterfeiting. There are a number of such organizations, both Bahrain and U.S. based. These include the:

- [U.S. Chamber](http://www.uschamber.com) of Commerce ([www.uschamber.com](http://www.uschamber.com)) and local American Chambers of Commerce
- [National Association of Manufacturers](http://www.nam.org) ([www.nam.org](http://www.nam.org))
- [International Intellectual Property Alliance](https://iipa.org) (<https://iipa.org>)
- [International Trademark Association](http://www.inta.org/Pages/Home.aspx) ([www.inta.org/Pages/Home.aspx](http://www.inta.org/Pages/Home.aspx))

- [The Coalition Against Counterfeiting and Piracy \(https://acacap.org\)](https://acacap.org)
- [International Anti-Counterfeiting Coalition \(www.iacc.org\)](http://www.iacc.org)
- [Pharmaceutical Research and Manufacturers of America \(https://www.phrma.org\)](https://www.phrma.org)
- [Biotechnology Industry Organization \(www.bio.org\)](http://www.bio.org); and
- [Arabian Anti-Piracy Alliance.\(www.aaa.co.ae\)](http://www.aaa.co.ae).

## Due Diligence

Due diligence is essential to avoid fraud. Any legitimate business in Bahrain will operate under a valid Commercial Registration (CR), with a validity date of less than two years. All U.S. companies should check a company's CR before doing business with them through the Government of Bahrain's Commercial Registration Portal, [www.sijilat.bh/](http://www.sijilat.bh/). The U.S. Commercial Service also provides a fee-based due diligence service for U.S. companies, called International Company Profile (ICP). For more details contact

### U.S. Embassy Manama – Commercial Section

P.O. Box 26431

Manama, Kingdom of Bahrain

Tel: (973) 1724-2700

Fax: (973) 1725-6717

Email: [ManamaCommerce@state.gov](mailto:ManamaCommerce@state.gov)

Website: <http://bahrain.usembassy.gov/tradeandcommerce.html>

## Local Professional Services

Professional service firms are available in the Bahrain market to help companies set up their businesses seamlessly and in a timely manner. Foreign companies normally use the services of:

- Lawyers
- Business establishment consultants
- Business centers
- Banks, which in some cases can set up a company's operations in Bahrain.

The [Bahrain Economic Development Board](#) and the [Bahrain Investors Center](#) offer guidance and support to foreign investors, especially throughout the early stages of business establishment.

U.S. Embassy Manama's Commercial Section offers [commercial services](#) such as trade counseling, market intelligence, business matchmaking and commercial diplomacy to assist U.S. companies in taking advantage of lucrative business opportunities.

## Principal Business Associations

The main business associations in Bahrain are the:

- American Chamber of Commerce (AmCham)
- [Bahrain Economic Development Board \(EDB\)](#)
- [Bahrain Businessmen's Association](#)
- [Bahrain Businesswomen's Association](#)
- [US-Bahrain Business Council](#)

## Limitations on Selling US Products and Services

The U.S.-Bahrain Bilateral Investment Treaty (BIT) provides benefits and protection to U.S. investments in Bahrain, such as “most-favored nation” and “national treatment”. The following are the only limitations on selling U.S. products and services in Bahrain:

- Gambling
- Alcoholic drinks
- Narcotics
- Weapons
- Cigarettes
- 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
- Import of automatic cigarette vending machines
- Letter post (exclusive to Bahrain Post)

MoICT maintains a small list of business activities that are restricted to Bahraini ownership. These include: press and publications, Islamic pilgrimage, clearance offices, workforce agencies, fisheries, and dredging or oil exploration.

The U.S.-Bahrain Free Trade Agreement outlines all activities in which the two countries restrict foreign ownership.

## Web Resources

Ministry of Industry, Commerce and Tourism

[www.moic.gov.bh/En/Pages/Home.aspx](http://www.moic.gov.bh/En/Pages/Home.aspx)

[www.sijilat.bh/](http://www.sijilat.bh/)

Bahrain Investors Center (BIC)

[www.moic.gov.bh/En/MoIC%20Centers/BahrainInvestorsCenter/Pages/index.aspx](http://www.moic.gov.bh/En/MoIC%20Centers/BahrainInvestorsCenter/Pages/index.aspx)

Bahrain Economic Development Board

[www.bahrainedb.com](http://www.bahrainedb.com)

Bahrain Bourse (Stock Market)

[www.bahrainbourse.net](http://www.bahrainbourse.net)

U.S. Commercial Service

<http://trade.gov/cs/>

U.S. Embassy Bahrain – Commercial Section

<http://bahrain.usembassy.gov/tradeandcommerce.html>

Office of the United States Trade Representative

[www.ustr.gov](http://www.ustr.gov)

Tamkeen (private sector development organization)

[www.lf.bh/en/](http://www.lf.bh/en/)

Bahrain Social Insurance Organization

[www.sio.bh/?xxl=English](http://www.sio.bh/?xxl=English)

The Labor Market Regulatory Authority

<http://lmra.bh/portal/en/home>

Ministry of Water and Electricity

[www.mew.gov.bh/](http://www.mew.gov.bh/)

Ministry of Health

[www.moh.gov.bh/](http://www.moh.gov.bh/)

## Leading Sectors for US Exports & Investments

Economic growth in Bahrain is driven by a variety of strongly performing industries, led by tourism. The hotels and restaurants sector expanded by 9.5 percent in 2017 with total visitor expenditures rising by 8.9 percent that year. Other high-performing sectors in 2017 included social and personal services, which grew by 9.4 percent in 2017. Subsets included private education, healthcare, real estate, professional services, and financial services. Additionally, the Bahrain Economic Development Board (EDB) attracted \$733 million in foreign direct investment to Bahrain in 2017, a record year for the organization. The EDB reported that these investments represent an increase of 161 percent over 2016 and are expected to generate 2,800 jobs over the next three years. The EDB identifies financial services, professional services, manufacturing, ICT, logistic and transport sectors as particularly ripe for investment. The renewable energies, health care, and engineering and constructions sectors, among others, also offer potential opportunity for U.S. firms.

U.S. exports to Bahrain in 2017 amounted to \$907 million. The top categories included:

- Special Classification Provisions\*: \$202 million
- Machinery, Mechanical Appliances: \$166 million
- Vehicles and Parts: \$123 million
- Electric Machinery: Sound Equipment; TV Equipment: \$79 million
- Aircraft, Spacecraft, And Parts: \$69 million
- Optical, Medical Instruments: \$36 million

\*Consists primarily of miscellaneous transactions under \$2,500 each

Bahrain's fastest-growing import categories in 2017 included:

- Nickel and Products Thereof
- Manmade Filaments, Including Yarns & Woven Fabrics
- Toys, Games, and Sport Equipment
- Textile Fabrics
- Musical Instruments
- Dairy Products, Bird Eggs, Honey, Edible Animal Products
- Silk, Including Yarns and Woven Fabric Thereof
- Furniture, Bedding, Lamps
- Textile Art, Worn Textile Art
- Headgear

Top imported commodities for 2017 were:

- Chemical Compounds (aluminum oxide), Iron Ores and Concentrates
- Vehicles
- Jewelry and Gold
- Telephones for Cellular and Other Wireless Networks

In May 2018, the Bahrain Economic Development Board held the Gateway Gulf Investor Forum, the first foreign direct investment promotion event of its kind in Bahrain. The forum highlighted as the leading opportunities for foreign direct investment in Bahrain as the following sectors:

- Oil & Gas
- Real Estate and Tourism
- Power & Renewable Energy
- Affordable Housing

- Transport and Public Works
- Manufacturing

## **Construction & Infrastructure**

### Overview

In 2017, the International Trade Administration identified construction as a leading market for opportunities for U.S. firms. Bahrain's construction industry is projected to expand by 13.3 percent in 2018. A key driver of this growth is a \$32 billion infrastructure investment pipeline comprised of \$10 billion in government funding, \$7.5 billion from the GCC Development Fund, and \$15 billion from the private sector. This emphasis on construction is consistent with the Kingdom's Vision 2030 economic development strategy. The strategy seeks to improve infrastructure, industry, housing and connectivity and that calls for a more diverse economic base, with broader privatization, industrialization, training, and education of the Bahraini workforce.

According to Bahrain Economic Development Board's December 2017 quarterly report, Bahrain's construction sector grew by over three percent in 2017. Large-scale government infrastructure projects continue to stimulate the sector and have positive spillover effects in supply industries.

The government has approved a number of major projects, including:

- The \$3.5 billion sixth production line at Aluminum Bahrain (ALBA) and associated \$800 million power station project
- A \$1.1 billion airport modernization program
- A new \$355 million gas plant.
- Major housing projects valuing \$2.2 billion.
- Electricity and water projects valuing \$1.1 billion
- Roads and sewerage projects valuing \$900 million
- An airport expansion project valuing \$1.1 billion.
- Gulf rail line development
- Public transport network (due in 2030)
- Construction of infrastructure for three planned cities
- A new state of the art Exhibition Centre
- Industrial development

A number of other projects underway focus on education, health, social development, youth, sports and industry, many of which will be funded by grants received from Bahrain's wealthier neighbors via the GCC Development Fund. The government is currently implementing the National Development Strategy 2015-2018 to ensure economically and ecologically sustainable growth and to better respond to the needs of the citizenry and the economy.

### Leading Sub-Sectors

The demand for small housing units for medium-income families has increased dramatically in recent years. There are approximately 60,000 Bahraini families on the government's waitlist for subsidized housing. The government is pursuing an ambitious program of developing 40,000 housing units within a decade. Close to 15,000 units are under construction. The major housing projects are East Hidd City, Diyyar Al Muharraq, Tubli Gardens, Argan, and the Naseej project in Northern City. The Ministry of Housing has also launched a social housing financing program to support home purchases by nationals.

In the private sector, major new freehold projects have been launched in Diyar al Muharraq, Dilmunia, and Durrat al Bahrain. Among others, a 3,000-unit Deerat al Oyun project has commenced in Diyar al Muharraq.

Construction work on the \$650 million Villamar project at the Bahrain Financial Harbour in central Manama is also resuming.

#### Opportunities

One of the largest projects within this pipeline is the \$1.1 billion airport modernization project. The airport project is designed to double the passenger capacity of the facility to 14 million passengers a year by 2020. The main contract was awarded to a consortium led by Arabtech Construction and TAV Construction in early 2017. A number of U.S. firms have won contracts in the expansion.

A new rail and road causeway project between Saudi Arabia and Bahrain is also planned. The new project is a 25km-long rail and road that will connect to the main GCC railway and existing Saudi rail network.

State-owned companies also are proceeding with major projects. In the manufacturing sector, landmark projects underway in downstream hydrocarbons and aluminum include the:

- Bahrain Petroleum Company (BAPCO) modernization and expansion program
- Bahrain LNG terminal construction
- Bahrain National Gas Expansion Co. (BNGEC)
- ALBA Line 6 expansion project

The retail and hospitality sector is also witnessing rapid growth, evident in the number of five-star hotels and shopping malls planned for the kingdom such as Dilmunia Mall and the Marassi Galleria shopping complex, to join the recently opened \$159 million Avenues Mall at Bahrain Bay. This retail expansion has branched out geographically to the west of the island, presumably to attract the many tourists coming from Saudi Arabia each week. Several western projects underway include the construction of IKEA and the expansive Kingdom Mall.

Bahrain's tourism strategy also extends to medical-tourism projects in expansions at King Abdullah Medical City and in mixed-use real estate projects such as Bahrain Bay, Bahrain Marina, Diyar Al Muharraq, Water Garden City, Dilmunia, and Marassi Al Bahrain.

Other key developments expected to be completed in the near future:

- The \$120 Muharraq Water Front Project (Saada), consisting of retail establishments, a marina, entertainment facilities, a 4-star hotel, a multi-story car park, and a traditional souq.
- The mixed-use Bahrain Marina in Manama, consists of a five-star hotel and hotel suites, apartments, villas, a shopping mall, entertainment and educational facilities, retail space, and a yacht club with space for 250 boats.

#### Leading Sub-Sectors

With revenues from oil exports accounting for 75 percent of government income in 2017, the Bahraini Government is seeking to diversify the economy and income sources from other sectors. Targeted areas for manufacturing include plastics, fiberglass, chemicals, petrochemicals, and food processing. The Bahraini Government is placing particular emphasis on developing the petrochemical industry. Five petrochemical sub-sectors have grown rapidly in recent years: construction chemicals, water treatment chemicals, polymer and plastic additives, paints and coating additives, and oil field chemicals.

#### Web Resources

[www.bahrainedb.com](http://www.bahrainedb.com)

[www.trade.gov/topmarkets/](http://www.trade.gov/topmarkets/)

## Oil and Gas

### Overview

Despite the success of economic diversification, the oil and gas sector remains a strong component of Bahrain's economy. As a small non-OPEC Gulf oil producer with approximately 124.6 million barrels of proven reserves, Bahrain receives its oil revenues from two fields: the onshore Bahrain field and the offshore Abu Safah field, which it shares with Saudi Arabia. The Government of Bahrain announced in April 2018 its biggest oil and gas discovery since the 1930s, representing a significant boost to Bahrain's economic outlook. The extensive tight oil and deep gas field discovered off the west coast of the Kingdom is estimated to contain some 80 billion barrels of tight oil resources in shale. The 2,000 sq. km. Khalij al Bahrain field, which could begin production by 2023, is mainly composed of shale oil and natural gas in quantities far exceeding Bahrain's current reserves.

The Government of Bahrain launched an energy fund in 2018 that seeks to raise \$1 billion from local, regional, and international investors to develop the Kingdom's energy assets. The fund will invest in a range of energy projects across the downstream, mid-stream, and upstream sectors, including developments in the newly discovered oil and gas fields.

### Opportunities

- Bahrain reached an agreement with U.S. firm Halliburton to drill two appraisal wells that will enable the Kingdom to evaluate the commercial viability of Bahrain's new oil fields.
- Bahrain is carrying out a modernization of the Bahrain Petroleum Company (BAPCO) refinery with TechnipFMC. The expansion will boost BAPCO's processing capacity to 360,000 barrels per day (bpd) from 267,000 bpd. BAPCO has also announced the creation of the Bahrain Gasoline Blending joint venture with a UK-based Greenergy to establish a regional gasoline-blending hub.
- Bahrain LNG, jointly owned by Bahrain's National Oil and Gas Holding Company (Noga Holding) and a consortium consisting of Teekay LNG Partners, Gulf Investment Corporation (GIC) and Samsung C&T (Samsung), has commenced the construction of Bahrain's first LNG import terminal. The terminal will be located offshore approximately four kilometers east of the onshore receiving facility at the Khalifa Bin Salman port. The project is being developed to supplement local gas production in Bahrain and ensure capacity to meet peak seasonal gas demand and industrial growth. The project will have a capacity of 800 million standard cubic feet per day and an expected funding requirement of \$900 million.
- Bahrain National Gas Expansion Co. (BNGEC) has awarded a contract to an affiliate of Japan's JGC Corporation to build additional gas pipelines and storage tanks in an expansion project at BNGEC's and Bahrain National Gas Co.'s (Banagas) shared gas processing plant. The plant will process 350 million cubic feet of additional associated gas. The project will also involve the installation of a new pipeline system to transport gas from the compressor stations to the new gas processing train; a pipeline system to return residue gas for reinjection, and an additional 21km butane pipeline to its Sitra facility.
- Bahrain has a well-developed aluminum industry with downstream aluminum manufacturing occupying a significant share of the secondary sector in the economy. There are several investment opportunities in the downstream aluminum value chain, including opportunities to manufacture and supply components for the GCC Railway network.

### Web Resources

[www.bahrainedb.com](http://www.bahrainedb.com)

[www.oxfordbusinessgroup.com](http://www.oxfordbusinessgroup.com)

[www.cnn.com/2018/05/08/bahrain-discovery-of-80-billion-barrels-of-oil.html](http://www.cnn.com/2018/05/08/bahrain-discovery-of-80-billion-barrels-of-oil.html)

## **Petrochemicals**

### **Overview**

Seeking further diversity in its economy, the Bahraini Government has worked to identify alternatives to the oil and gas sector for generating exports. The development of Bahrain's petrochemicals industry is the top priority for industrial development in Bahrain. The Bahraini Government established the Gulf Petrochemical Industries Company (GPIC) in 1980 to produce ammonia and methanol. By 1988, GPIC produced 1,700 tons of petrochemicals daily, which led to the creation of new downstream industries in Bahrain. Within the petrochemical sector, five sub-sectors have grown quickly in recent years: construction chemicals, water treatment chemicals, polymer and plastic additives, paints and coating additives, and oil field chemicals.

### **Leading Sub-Sectors**

Among the leading industries in Bahrain are the aluminum, iron, petrochemicals, plastics, glass, food and pharmaceutical, shipbuilding and repair, iron pellets, and many more. Bahrain Petroleum Company (Bapco) refines 270,000 barrels per day of crude oil to produce: Gasoline, kerosene, jet fuel, low sulfur diesel, heavy distillates, fuel oil, asphalt, liquefied petroleum gas, propane, and butane. Gulf Petrochemical Company (GPIC) converts natural gas to ammonia and ammonia chemical fertilizers and methanol with a production capacity of about 1.5 million tons per year. Aluminium Bahrain (Alba) produces liquid aluminum (molten), as well as rolling and drawing molds and standard alloys for local industries and alloy wheels, with a production capacity of 900,000 metric tons per annum, of which 50 percent is allocated to local customers by supplying them with various types of products such as liquid metal, rolling molds, drag rods.

### **Opportunities**

In order to optimize the utilization of the smelter products in Bahrain, several manufacturing plants have been established, mainly based on Alba products as a major raw material for the manufacturing process. The establishment of Alba resulted in the establishment of small and medium factories for the manufacture and fabrication of aluminum for the production of doors, windows, kitchens and various configurations of aluminum profiles. Main local manufacturers are Midal Cables Co. manufacturer of aluminum cables and electrical connectors, Gulf Aluminum Rolling Company (GARMCO) produces rolled products, rolled metal sheets, aluminum circuits, Bahrain Aluminum Extrusions Company (BALEXCO) produces aluminum profiles, metal coating, smelting and fabrication, and Bahrain International Metal Spray Company produces powder and aluminum pellets used in the manufacture of dyes and spare parts.

Post assesses that opportunities for U.S. firms exist in the manufacturing of basic chemicals, fertilizers, nitrogen compounds, plastics and synthetic rubber in primary forms. Opportunities also exist in the manufacturing of pesticides, cosmetics, and synthetic fibers.

Bahrain also presents opportunities for manufacturing in the following subsectors: construction chemicals, water treatment chemicals, polymer and plastic additives, paints and coating additives, and oilfield chemicals.

The Government of Bahrain also plans several new production facilities that could present potential opportunities for U.S. firms. These include:

- A urea plant expansion under GPIC

- An ammonia plant expansion under GPIC
- An aromatics plant under NOGA
- A polyethylene & polypropylene plant under NOGA
- A naphtha cracking refinery plant under NOGA.

Web Resources

[www.gpca.org.ae/bahrain](http://www.gpca.org.ae/bahrain)

[www.encyclopedia.com/places/asia/arabian-peninsula-political-geography/bahrain](http://www.encyclopedia.com/places/asia/arabian-peninsula-political-geography/bahrain)

[www.worldsrichestcountries.com/top-bahrain-imports.html](http://www.worldsrichestcountries.com/top-bahrain-imports.html)

<http://atlas.media.mit.edu/en/profile/country/bhr/#Imports>

[www.oxfordbusinessgroup.com](http://www.oxfordbusinessgroup.com)



# Customs, Regulations & Standards

## Trade Barriers

The Bahraini Government prohibits domestic production of alcohol and tobacco. For health and religious reasons, non-GCC alcoholic beverage imports are assessed a 125 percent customs duty and non-GCC imported tobacco products are assessed a 200 percent duty.

The following items are restricted and their import into the Kingdom of Bahrain is allowed only with a valid permit or approval document from the relevant regulatory authority:

- Live wild animals (for circus only) - horses
- Animals, birds and their by-products
- Animal or vegetable fertilizers
- Insecticides and fungicides
- Meat and meat products
- Fish and seafood products
- Fruit and vegetables
- Plants
- Radioactive chemicals and active isotopes
- Food products (processed and unprocessed)
- Pharmaceuticals
- Medicines
- Unadulterated ethyl alcohol, iso-propanol
- Pedestrian-controlled four-wheel mini car
- Handcuffs made from iron/steel
- Arms, ammunition, explosives and military weapons
- Magazines and publications
- Films and video
- Optical and magnetic audio-visual media
- Items infringing intellectual property rights
- Telecommunications, radio and television receiving and broadcasting equipment

## Import Tariff

Under the U.S.-Bahrain Free Trade Agreement (FTA), bilateral trade in industrial and consumer products, with the exception of some agricultural items, may be conducted duty free. Goods manufactured outside the FTA region may be imported according to Bahrain's tariff schedule, listed below. Bahrain is party to the GCC Unified Customs Union agreement. The agreement eliminated tariffs for GCC member states on 426 items (primarily food and medical products), and lowered to five percent import duties on all other commodities except alcohol (125 percent) and tobacco (100 percent). The Customs authorities of the Gulf Cooperation Council (GCC)

countries finalized the Unified GCC Customs Tariff of 2017, which entered into force on January 1, 2017. In February 2017, the GCC states, including Bahrain, ratified the Unified Selective Tax Agreement for the GCC States. It imposes a tax on goods harmful to human health and the environment, as well as luxury goods. Tax rates are determined by the Committee for Financial and Economic Cooperation of the GCC States.

Customs rates for intra-GCC trade are as follows:

Duty Exempt	Includes 428 listed commodities, mostly food and medical products
▪ 5 percent import duty	All other commodities, except tobacco and alcoholic beverages
▪ 100 percent import duty	Tobacco
▪ 125 percent import duty	Alcoholic beverages

To incentivize foreign direct investment, the Bahraini Government does not levy duties on imports of raw materials or of semi-manufactured goods, provided that the final products assembled using these inputs will be exported out of Bahrain. The Bahraini Government also allows items imported for development projects (excluding spare parts), and transshipments to be imported duty free.

Foreign products entering or already in the GCC are treated as follows:

- Goods imported to the GCC region are granted duty-free entry if the importer presents certificates issued by the first single-entry point as a proof that his customs duties have been paid after the establishment of the customs union.
- Goods imported to the GCC for which the importer fails to prove payment of customs duties shall have their customs duty collected at the customs point of the country of final destination.
- The customs declaration for statistical purposes shall be prepared manually by the owner of the goods or the person who acts on his behalf, or by computer, and shall be approved at the customs entry point and have the local invoices attached to it. Invoices are required to detail the correct value and origin of the goods.
- The importer must ensure that the customs authority has made the necessary endorsements that justify the entry and exit of the goods on the basis of the statistical declaration.

## Import Requirements & Documentation

### Customs Procedures

Importers or their local agents must complete a Customs bill of entry before importing goods to Bahrain. Importers should strongly consider using a registered, licensed clearing agent to ensure import procedures are completed expeditiously. The customs clearance process includes the following steps:

- Statistics Office
- Imports and Exports Restriction Office
- Auditing the customs charges and other charges
- Payment to cashier of related charges
- Inspection and checking of document

The importer is required to submit the Customs declaration in addition to the following documents for the importation of goods.

- Import Customs declaration form
- Shipping agent delivery Order from shipping agent line to importer/consignee (with valid commercial registration)
- Three copies of the original invoices from the exporter addressed to the importer
- Two copies of the packing list with detailed weights, packaging and goods classification for each individual item within the shipment
- An original certificate of origin from relevant chambers of commerce of country of origin of goods
- A copy of the insurance policy
- Original bill of lading
- Import permit/approval from relevant authority for importation of restricted goods
- Bank advice/guarantee (if applicable)
- A statistical declaration if the final destination of the goods is within GCC countries.

### **Import Customs Clearance Procedure**

After submitting the customs declaration form using the eCAS Customs Clearing System, the procedure for customs clearance will be as follows:

- Pay the duty and fees due at the cashier desk in the customs point where the goods will be cleared
- Submit all the relevant documentation to the customs clearing officer at the customs point
- Pay the relevant cargo handling fees and make an appointment for movement of the cargo at the port operator desk
- Port operator will move the container to the relevant inspection point
- Customs will risk assess the goods and inspection may be carried out accordingly
- Goods will be cleared and allowed to leave the customs point.

For food items, the Bahraini Customs Directorate Handbook requires importers to present a manufacturer's certificate stating that goods do not contain cyclamates.

Imported and exported goods are classified according to the Standard International Trade Classification (SITC), Revision 3.

For more information or inquiries, please contact:

Bahrain Customs

P.O. Box 15

Manama

Kingdom of Bahrain

Tel: (+973) 1735-9999

E-mail: [info@customs.gov.bh](mailto:info@customs.gov.bh)

Website: [www.bahraincustoms.gov.bh/](http://www.bahraincustoms.gov.bh/)

### **Labeling/Marking Requirements**

GCC countries enforce common labeling standards for imported goods. Food labels must include product and brand names, production and expiration dates, country of origin, the name and address of the manufacturer, net weight in metric units, and a list of ingredients in descending order of magnitude. All fats and oils (including

gelatins) used as ingredients must be specifically identified on the label. Labels must be in Arabic or in both Arabic and English. Small quantities of products in English-only labels may be approved for import on a case-by-case basis for test marketing purposes. Pork products, or products containing pork or pork lard, should be clearly identified as such on the label. Products found to contain traces of pork that are not properly labeled will be confiscated and possibly banned from future import for a specified period of time. American-made goods should be clearly marked "Made in the USA" to qualify for duty free treatment under the FTA.

## U.S. Export Controls

The U.S. Government has established export controls to limit proliferation of certain items, services or technologies of defense or dual-use nature. There are several regulatory bodies responsible for ensuring that compliance issues are met. The following list includes most of these bodies, a number of which maintain websites with further information. For additional assistance, contact your local U.S. Export Assistance Center (<http://export.gov/export/index.asp>).

- Department of Commerce, Bureau of Industry and Security- [www.bis.doc.gov](http://www.bis.doc.gov)
- Department of State, Directorate of Defense Trade Controls - [www.pmdtc.state.gov](http://www.pmdtc.state.gov)
- Department of the Treasury, Office of Foreign Assets Control - [www.treasury.gov/about/organizational-structure/offices/Pages/Office-of-Foreign-Assets-Control.aspx](http://www.treasury.gov/about/organizational-structure/offices/Pages/Office-of-Foreign-Assets-Control.aspx)
- Nuclear Regulatory Commission, Office of International Programs - [www.nrc.gov/about-nrc/organization/oipfuncdesc.html](http://www.nrc.gov/about-nrc/organization/oipfuncdesc.html)
- Department of Energy, Office of Arms Controls and Nonproliferation, Export Control Division - <http://nnsa.energy.gov/aboutus/ourprograms/nonproliferation-0/npac>
- Department of Energy, Office of Fossil Energy - <https://www.energy.gov/fe/office-fossil-energy>
- Defense Threat Reduction Agency - Technology Security - <http://www.dtra.mil/Home.aspx>
- Department of the Interior, U.S. Fish & Wildlife Service, Division of Management Authority - [www.fws.gov/international/about-us/division-of-management-authority.html](http://www.fws.gov/international/about-us/division-of-management-authority.html)
- Drug Enforcement Administration, International Drug Unit - [www.deadiversion.usdoj.gov/imp\\_exp/](http://www.deadiversion.usdoj.gov/imp_exp/)
- Drug Enforcement Administration, International Chemical Control Unit - [www.deadiversion.usdoj.gov/imp\\_exp/](http://www.deadiversion.usdoj.gov/imp_exp/)
- Food and Drug Administration, Office of Compliance - [www.fda.gov/AboutFDA/CentersOffices/OfficeofMedicalProductsandTobacco/CDER/ucm081992.htm](http://www.fda.gov/AboutFDA/CentersOffices/OfficeofMedicalProductsandTobacco/CDER/ucm081992.htm)
- Food and Drug Administration, Import/Export - [www.fda.gov/internationalprograms/importsexportsinspections/default.htm](http://www.fda.gov/internationalprograms/importsexportsinspections/default.htm)
- Patent and Trademark Office - [www.uspto.gov](http://www.uspto.gov)
- Environmental Protection Agency, Importing and Exporting - <http://www2.epa.gov/importing-exporting>

For a consolidated screening list for export controls please visit: Consolidated-Screening-List - [www.export.gov/article?id=Consolidated-Screening-List](http://www.export.gov/article?id=Consolidated-Screening-List)

## Prohibited & Restricted Imports

According to the Bahrain Customs Handbook, the following items cannot be imported into Bahrain:

- All types of narcotic drugs (heroin, cocaine, hashish, pills having drugs effects etc.)
- Used and reconditioned tires
- Cultured pearls

- Advertisement material for all types of cigarettes
- Radio/ remote controlled model aircraft
- Children’s toy guns capable of firing projectiles
- Goods of Israeli origin or bearing Israeli trademarks or logos
- Printed publications, photographs, pictures, books, magazines sculptures and mannequins which contradict Islamic teachings, decency, or immorality
- Seditious or treasonable material
- Asbestos or items containing asbestos
- Raw ivory, ivory articles, and rhinoceros horn
- Live swine
- Any other items, whose importation is prohibited under Kingdom of Bahrain customs laws, or any other laws of the country.

The Bahraini Government requires that pharmaceutical products be imported directly from a manufacturer with a research department and that the products be licensed in at least two other GCC countries, one of which must be Saudi Arabia. Drugs and medicines may be imported only by a drug store or pharmacy licensed by the Ministry of Industry and Commerce after approval by the Ministry of Health.

All imported beef and poultry products require a health certificate issued by the country of origin, and a halal slaughter certificate issued by an approved Islamic center in that country, if it meets halal standards. Halal food is that which adheres to Islamic law of slaughtering animals or poultry.

For an up-to-date copy of the prohibited items list, please visit Bahrain's Customs website:  
[www.bahraincustoms.gov.bh](http://www.bahraincustoms.gov.bh).

# Customs Regulations and Standards

For more information, contact Bahrain's Directorate of Customs Affairs at:

Bahrain Customs Directorate  
Customs Affairs – Ministry of Interior  
Sh. Khalifa Bin Salman Road  
Hidd, Kingdom of Bahrain  
Tel: 973 1735-9999  
E-mail: [info@customs.gov.bh](mailto:info@customs.gov.bh)  
Website: [www.bahraincustoms.gov.bh/](http://www.bahraincustoms.gov.bh/)

## Standards for Trade

### Overview

The Bahrain Standards and Metrology Directorate (BSMD) is the national standardization body of Bahrain. It is a member of the Arab Industrial Development and Mining Organization (AIDMO), the Arab Center for Standardization and Metrology and a founder member of the Gulf Standardization Organization (GSO). BSMD is a correspondent member of International Organization of Legal Metrology (OIML), an ISO member, and implements the good regulatory practice of the WTO/Technical Barriers to Trade agreement.

### Standards

The GCC Customs Union in theory requires member states to enforce unified standard across the region. Bahraini standards are required to meet national requirements for safety, quality, and fitness for purpose as determined by respective technical committees in Bahrain. Most often, Bahraini standards are adoptions of international or Gulf standards, and the development of standards in Bahrain is based on the following principles: a) no Bahraini standard is to be developed if there is an identical draft Gulf standard in existence, b) developing new Bahraini standards must not create trade barriers.

The [Bahrain Standards and Metrology Directorate](#) (BSMD - is a government institution within the MoICT. It is responsible for issuing Bahrain's standards, either by adopting as national standards the international or Gulf standards issued by the GCC Standards and Metrology Organization, or by preparing standards to meet national requirements.

The BSMD is led by a National Committee that acts as the Board of Directors. This board, made up of representatives from relevant ministries and the Chamber of Commerce as well as individual experts, is the highest authority on standards and metrology in Bahrain. The BSMD consists of two sections: the Standards and Information section and Quality Assurance and Metrology section.

### Testing, inspection and certification

Most imported products can enter the market freely. The BSMD has established an office in Khalifa Bin Salman Port in the Customs Department to check and approve all regulated products before they enter Bahrain. Below is a list of products that are checked upon import into Bahrain:

- Tires
- Car batteries
- Automobiles spare parts
- Cement
- Asbestos
- Toys

- Plastic bags
- Tissue paper
- Electric appliances
- Cosmetics
- Nutrition products
- Weighing scales, weights, measuring tapes & meters
- Air conditioners

#### Publication of technical regulations

The National Committee of the BDSM approves and issues procedures for the implementation of national standards. The National Committee has approved several GCC standards as mandatory. The committee issued these in the form of a ministerial order and published them in the Official Gazette. The Official Gazette is available on the website of the [Legal Affairs Directorate](http://www.legalaffairs.gov.bh) (Arabic only, [www.legalaffairs.gov.bh](http://www.legalaffairs.gov.bh)). Members of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to notify to the WTO proposed technical regulations and conformity assessment procedures that could affect trade. Notify U.S. ([www.nist.gov/notifyus](http://www.nist.gov/notifyus)) is a free, web-based e-mail registration service that captures and makes available for review and comment key information on draft regulations and conformity assessment procedures. Users receive customized e-mail alerts when new notifications are added by selected country(ies) and industry sector(s) of interest and can request full texts of regulations. This service and its associated web site are managed and operated by the USA WTO TBT Inquiry Point housed within the National Institute of Standards and Technology, part of the U.S. Department of Commerce.

#### Contact Information

Ministry of Industry, Commerce & Tourism  
 Bahrain Standards & Metrology Directorate  
 Bahrain Financial Harbour (Harbour Gate)  
 P.O. Box 5479  
 Manama, Kingdom of Bahrain  
 Phone: (973) 1757-4871  
 Fax: (973) 1753-0730  
 E-mail: [bsmd@moic.gov.bh](mailto:bsmd@moic.gov.bh)

Website:

[www.moic.gov.bh/En/Commerce/StandardizationConsumerProtection/StandardsMetrologyDirectorate/Pages/index.aspx](http://www.moic.gov.bh/En/Commerce/StandardizationConsumerProtection/StandardsMetrologyDirectorate/Pages/index.aspx)

GCC Gulf Standardization Organization

P.O. Box 85245

Riyadh 11691

Phone: (+ 966) 1 - 2746655

E-mail: [gso@gso.org.sa](mailto:gso@gso.org.sa)

Website: [www.gso.org.sa/gso-website/](http://www.gso.org.sa/gso-website/)

### **Trade Agreements**

Bahrain is considered one of the most open economies in the Middle East and North Africa region. With several free trade agreements, excellent infrastructure, and strong financial institutions, Bahrain is well positioned to allow traders and investor access to regional and international markets.

The Government of Bahrain is a member of the World Trade Organization and the GCC. Bahrain has bilateral and economic agreements with over 40 countries, including Free Trade Agreements with the United States, Singapore (GSFTA) and the EFTA States (Iceland, Liechtenstein, Norway & Switzerland), China, France, India, and the United Kingdom. It also has duty-free access to the 17 Arab states party to the Greater Arab Free Trade Agreement (GAFTA).

Bahrain has also signed agreements regarding:

- Promotion and protection of investment with 34 countries
- Avoidance of double taxation with 41 countries
- Reciprocal exemption of international air transport with 6 countries
- Economic, trade, and technical cooperation with 31 countries.

Bahrain implemented a Free Trade Agreement (FTA) with the United States in August 2006, the first FTA between the United States and a Gulf state. Bahrain's trade balance relies on adding value to imported raw materials and on exporting refined hydrocarbons products. A large share of exports consists of petroleum products made from imported crude oil. Bahrain also has substantial aluminum production. Bahrain's main trading partners include Saudi Arabia, India, the UAE, South Korea, the United States, China, and Japan.

### **Licensing Requirements for Professional Services**

Investors can apply for commercial registration with the Ministry of Industry, Commerce and Tourism and track the status of their applications and approvals through the ministry's Commercial Registration Portal at [www.sijilat.bh/](http://www.sijilat.bh/).

The most commonly used business vehicles in Bahrain are the closed joint stock company (CJSC) and limited liability company (called a WLL in Bahrain but synonymous with an LLC) due to their flexible corporate structures. Foreign companies can set up branch, agency or branch offices without being subject to the same provisions as for the formation of companies. It is also possible to establish shelf companies, which can take any form and are valid for one year, during which time approvals and licenses must be obtained.

All documents needed for a company's incorporation can be found on the website of the [Ministry of Industry, Commerce and Tourism](#):

Foreign documents must be notarized and legalized, or notarized and apostilled. Companies offering financial services must also obtain a license from the Central Bank of Bahrain, which takes 60 days. Details can be obtained from [www.cbb.gov.bh/](http://www.cbb.gov.bh/).

If all documents are in order, commercial registration by the Ministry of Industry and Commerce will be completed within approximately one to two weeks.

### **Web Resources**

- Ministry of Interior – Customs Affairs  
[www.bahraincustoms.gov.bh](http://www.bahraincustoms.gov.bh)  
[www.customs.gov.bh](http://www.customs.gov.bh)  
[www.bahraincustoms.gov.bh/page.php?SID=WTBkr2\[scFVNREZOZVZwMFVGuIpQUT09](http://www.bahraincustoms.gov.bh/page.php?SID=WTBkr2[scFVNREZOZVZwMFVGuIpQUT09)  
[www.bahrain.com/en/about-the-gulf/Pages/Bilateral-Trade-Agreements.aspx#.WTUPXPn5haQ](http://www.bahrain.com/en/about-the-gulf/Pages/Bilateral-Trade-Agreements.aspx#.WTUPXPn5haQ)
- Legal Affairs Directorate

[www.legalaffairs.gov.bh](http://www.legalaffairs.gov.bh) (only available in Arabic)

- Ministry of Industry, Commerce and Tourism

[www.moic.gov.bh/En/Pages/Home.aspx](http://www.moic.gov.bh/En/Pages/Home.aspx)

- Bahrain Standards & Metrology Directorate

[www.moic.gov.bh/En/Commerce/StandardizationConsumerProtection/StandardsMetrologyDirectorate/Pages/index.aspx](http://www.moic.gov.bh/En/Commerce/StandardizationConsumerProtection/StandardsMetrologyDirectorate/Pages/index.aspx)

# Investment Climate Statement

## Executive Summary

The investment climate in Bahrain is generally good and has remained relatively stable in the last year. Bahrain has a liberal approach to foreign investment and actively seeks to attract foreign investors and businesses. In an economy largely dominated by state-owned enterprises, the Government of Bahrain (GOB) aims to foster a greater role for the private sector in economic growth. Government efforts focus on encouraging foreign direct investment in Bahrain, including in the manufacturing, logistics, information and communications technology (ICT), financial services, and tourism sectors.

The U.S.-Bahrain Bilateral Investment Treaty (BIT) entered into force in 2001. The BIT provides benefits and protection to U.S. investors in Bahrain, such as most-favored nation treatment and national treatment, the right to make financial transfers freely and without delay, international law standards for expropriation and compensation cases, and access to international arbitration.

Bahrain permits 100 percent foreign-ownership of new industrial entities and the establishment of representative offices or branches of foreign companies without local sponsors. In 2017, the GOB expanded the number of sectors in which foreigners are permitted to maintain 100 percent ownership stakes in companies to include tourism services, sporting events production, mining and quarrying, real estate activities, water distribution, water transport operations, and crop cultivation and propagation.

The U.S.-Bahrain Free Trade Agreement (FTA) entered into force in 2006. Under the FTA, Bahrain committed to world-class Intellectual Property Rights (IPR) protection.

Despite the Government of Bahrain's transparent, rules-based government procurement system, U.S. companies sometimes report operating at a perceived disadvantage compared with other firms in certain government procurements. Many ministries require firms to pre-qualify prior to bidding on a tender, often rendering firms with little or no prior experience in Bahrain ineligible to bid on major tenders.

The Central Bank of Bahrain (CBB) introduced in 2017 a financial technology (FinTech) regulatory "sandbox" that enables the testing and launching of non-conventional FinTech startups in Bahrain, including in cryptocurrency and blockchain technologies. The CBB also issued additional regulations in 2017 to enable conventional and Shari'a compliant financing-based crowdfunding businesses.

Table 1

Measure	Year	Index/Rank	Website Address
TI Corruption Perceptions Index	2017	103 of 175	<a href="http://www.transparency.org/research/cpi/overview">http://www.transparency.org/research/cpi/overview</a>
World Bank's Doing Business Report "Ease of Business"	2017	66 of 190	<a href="http://www.doingbusiness.org/rankings">http://www.doingbusiness.org/rankings</a>
Global Innovation Index	2017	66 of 128	<a href="https://www.globalinnovationindex.org/analysis-indicator">https://www.globalinnovationindex.org/analysis-indicator</a>
U.S. FDI in Partner Country (M USD , stock positions)	2016	USD 548	<a href="http://www.bea.gov/international/factsheet/">http://www.bea.gov/international/factsheet/</a>
World Bank GNI per capita	2015	USD 22,660	<a href="http://data.worldbank.org/indicator/NY.GNP.PCAP.CD">http://data.worldbank.org/indicator/NY.GNP.PCAP.CD</a>

## Openness To, and Restrictions Upon, Foreign Investment

### Policies Towards Foreign Direct Investment

The Government of Bahrain (GOB) has a liberal approach to foreign investment and actively seeks to attract foreign investors and businesses. Increasing foreign direct investment (FDI) is one of the government's top priorities. The GOB permits 100 percent foreign ownership of a business or branch office, without the need for a local partner. The GOB does not tax corporate income, personal income, wealth, capital gains, withholding or death/inheritance. There are no restrictions on repatriation of capital, profits or dividends, aside from income generated by companies in the oil and gas sector, where profits are taxable at the rate of 46 percent. The Bahrain Economic Development Board, charged with promoting FDI in Bahrain, places particular emphasis on attracting FDI to the manufacturing, logistics, information and communications technology (ICT), financial services and tourism and leisure sectors.

To date, U.S. investors have not alleged any legal or practical discrimination against them based on nationality.

### Limits on Foreign Control and Right to Private Ownership and Establishment

The GOB permits foreign and domestic private entities to establish and own business enterprises and engage in all forms of remunerative activity. The GOB imposes only minimal limits on foreign control, and the right of ownership and establishment of a business. The Ministry of Industry, Commerce and Tourism (MoICT) maintains a small list of business activities that are restricted to Bahraini ownership, including press and publications, Islamic pilgrimage, clearance offices, and workforce agencies. The U.S.-Bahrain Free Trade Agreement outlines all activities in which the two countries restrict foreign ownership.

U.S. citizens may own and operate companies in Bahrain, though many such individuals choose to integrate influential local partners into the ownership structure to facilitate quicker resolution of bureaucratic issues such as labor permits, issuance of foreign visas, and access to industrial zones. The most common challenges faced by U.S. firms are those related to bureaucratic government processes, lack of market information, and customs clearance.

### **Other Investment Policy Reviews**

The World Trade Organization (WTO) conducted a formal [Trade Policy Review](#) of Bahrain in 2014 (see link below).

### **Business Facilitation**

In 2016, the Ministry of Industry, Commerce and Tourism (MoICT) introduced an online commercial registration portal, "Sijilat" ([www.sijilat.bh](http://www.sijilat.bh)) to facilitate the commercial registration process. Through Sijilat, business people can obtain a business license and requisite approvals from relevant ministries. The business registration process normally takes two to three weeks, but can take longer if a business requires specialized approvals. In practice, some business people retain an attorney or clearing agent to assist them through the commercial registration process.

In addition to obtaining primary approval to register a company, most business owners must also obtain licenses from the following entities to operate their businesses:

- MoICT
- Ministry of Electricity and Water
- The Municipality in which their business will be located
- Labour Market Regulatory Authority
- General Organization for Social Insurance

**Outward Investment**  
The Government of Bahrain (GOB) neither promotes nor incentivizes outward investment. The GOB does not restrict domestic investors from investing abroad.

### **Bilateral Investment Agreements and Taxation Treaties**

Bahrain and the U.S. signed a bilateral investment treaty (BIT) in September 1999, the first BIT between the United States and a Gulf Cooperation Council (GCC) state. The agreement entered into force in May 2001. The U.S.-Bahrain FTA does not include a separate investment chapter.

According to the United Nations Conference on Trade and Development (UNCTAD), Bahrain has bilateral investment protection agreements in place with Algeria, Belarus, Brunei, Bulgaria, the Czech Republic, China, Egypt, France, Germany, India, Italy, Iran, Jordan, Lebanon, Malaysia, Mexico, Morocco, Netherlands, Singapore, Spain, Sudan, Syria, Thailand, Turkey, Turkmenistan, United Kingdom, United States of America, Uzbekistan, and Yemen.

The Government of Bahrain signed the Foreign Account Tax Compliance Act (FATCA) with the United States Government in January 2017. The GOB issued the law implementing the agreement in February 2018.

## Legal Regime

### Transparency of the Regulatory System

Currently, there is no competition law in force in Bahrain. However, Bahrain's so-called Law of Commerce (Legislative Decree No. 7, passed in 1987) addresses the concept of unfair competition and prohibits acts that would have a damaging effect on competition. Companies also are forbidden from undertaking practices detrimental to their competitors or from attracting the customers of their competitors. There is no official competition authority in Bahrain.

The GOB uses International Financial Reporting Standards (IFRS) as part of its implementation of Generally Accepted Accounting Principles (GAAP). IFRS are used by domestic listed and unlisted companies in their consolidated financial statements for external financial reporting.

Bahrain adopted International Accounting Standard 1 (IAS 1) in 1994 in the absence of other local standards. Non-listed banks and other business enterprises use IASs in the preparation of financial statements.

The 2001 Bahrain Commercial Companies Law required each registered entity to produce a balance sheet, a profit-and-loss account and the director's report for each financial year. All branches of foreign companies, limited liability companies and corporations must submit annual audited financial statements to the Directorate of Commerce and Company Affairs at the MoICT, along with the company's articles and /or articles of association.

Depending on the company's business, financial statements may be subject to other regulatory agencies such as the Bahrain Monetary Agency (BMA) and the Bahrain Stock Exchange (banks and listed companies).

Bahrain encourages firms to adhere to both the International Financial Reporting Standards (IFRS) and Bahrain's Code of Corporate Governance. Bahrain-based companies by and large remain in compliance with IAS-1 disclosure requirements.

There are no informal regulatory processes managed by non-governmental organizations or private sector associations. The Council of Representatives (COR) engages in consultations on proposed regulations during committee meetings with the general public, businesses, or other entities that might be impacted by pending legislation. Those individuals or entities may raise concerns at committee meetings or send their comments in writing for review by Members of Parliament. According to the World Bank, however, the GOB does not have the legal obligation to publish the text of proposed regulations before their enactment and there is no period of time set by law for the text of the proposed regulations to be publicly available. Bahrain, therefore, ranks among the countries with [low rule-making transparency](#).

Laws and regulatory actions can be proposed by legislators, the government, or the King and are normally drafted under the Cabinet's guidance prior to being transferred back to the Council of Representatives (COR). If the bill or legislation is approved by a majority of the COR, the legislation advances to the Shura Council. If approved by a majority of the Shura Council, it is referred back to the Cabinet for the King's ratification. If the COR advances a version that the Shura Council disagrees with, a revised draft goes back to the COR. If the two houses cannot agree, they meet in what is known as the National Assembly, where both chambers meet to iron out differences on a specific bill. The publication of the regulatory action in the Official Gazette is the final legislative step. The implementation of any laws takes place the day following its publication. The media sometimes publishes the draft laws and offers commentary on various legal interpretations.

### International Regulatory Considerations

Bahrain is a member of the GCC. The GOB has agreed to enforce GCC standards and regulations where they exist, and not to create any domestic rules that contradict established GCC-wide standards and regulations. In

certain cases, the GOB applies international standards where domestic or GCC standards have not been developed. For example, the GOB mandates that imported vehicles meet either the U.S. Federal Motor Vehicle Safety Standards or the so-called “1958 Agreement” standards developed by the United Nations Economic Commission for Europe. Bahrain is a member of the WTO and notifies all draft technical regulations to the WTO Committee on Technical Barriers to Trade.

Bahrain ratified the Trade Facilitation Agreement (TFA) in September 2016 through Law No. 17 of 2016. Bahrain Customs and MoICT have begun working toward implementing the TFA’s requirements.

### **Legal System and Judicial Independence**

Bahrain’s Constitution defines the Kingdom as a sovereign, independent, Arab Muslim State. Although Article 2 of the Constitution states that Islamic Sharia (Islamic) law is the main source of legislation, general matters and private transactions are governed mainly by laws derived from modern legislation. Three types of courts are present in Bahrain - civil, criminal, and family courts.

The civil court system consists of lower courts, courts of appeal, and the Court of Cassation -- the highest appellate court in the Kingdom, hearing a variety of civil, criminal and family cases. Civil courts deal with all administrative, commercial, and civil cases, as well as disputes related to the personal status of non-Muslims. Family courts deal primarily with personal status matters, such as marriage, divorce, custody, and inheritance.

Many of the high-ranking judges in Bahrain come from the ruling family, prominent families, or are non-Bahrainis (mainly Egyptians). Bahraini law borrows a great deal from other Arab states, particularly Egyptian codes.

Bahrain has a long-established framework of commercial law. English is widely used, and a number of well-known international (including U.S.) law firms, working in association with local partners, are authorized to practice law in Bahrain and provide expert legal services both nationally and regionally. Fees are charged according to internationally accepted practices. Non-Bahraini lawyers can represent clients in Bahraini courts. In April 2007, the government permitted international law firms to be established in Bahrain. These firms provide services such as commercial and financial consultancy in legal matters.

Entrenched local business interests with government influence can sometimes cause problems for foreign companies. Interpretation and application of the law sometimes varies by Ministry and may be dependent on the stature and connections of an investor's local partner. These departures from the consistent, transparent application of regulations and the law are not common, and investors report general satisfaction with government cooperation and support.

The GOB is eager to develop its legal framework further. The U.S. Department of Commerce’s Commercial Law Development Program (CLDP) has conducted training and capacity-building programs in Bahrain for several years, in cooperation with the Ministry of Justice and Islamic Affairs, the Higher Supreme Council for Judges, and the Judicial and Legal Studies Institute.

Judgments of foreign courts are recognized and enforceable under local courts. Article nine of the U.S.-Bahrain Bilateral Investment Treaty outlines how problems with U.S. investments should be handled within the Bahraini legal system. The most common source of investment-related problems in Bahrain is slow or incomplete application of the law.

### **Laws and Regulations on Foreign Direct Investment**

The U.S.-Bahrain BIT provides benefits and protection to U.S. investors in Bahrain, such as most-favored nation and national treatment, the right to make financial transfers freely and immediately, the application of international legal standards for expropriation and compensation cases, and access to international arbitration. The BIT guarantees national treatment for U.S. investments across most sectors, with exceptions only for

ownership of television, radio or other media, fisheries, and dredging or oil exploration. Bahrain also provides most-favored nation or national treatment status to U.S. investments in air transportation, the purchase or ownership of land, and the purchase or ownership of shares traded on the Bahrain Bourse.

The national treatment clause in the BIT ensures American firms interested in selling products exclusively in Bahrain are no longer required to appoint a commercial agent, though they may opt to do so. A commercial agent is any Bahraini party appointed by a foreign party to represent the foreign party's product or service in Bahrain.

Bahrain permits 100 percent foreign-ownership of new industrial entities and the establishment of representative offices or branches of foreign companies without local sponsors. Wholly foreign-owned companies may be set up for regional distribution services and may operate within the domestic market as long as they do not exclusively pursue domestic commercial sales. Private investment (foreign or Bahraini) in petroleum extraction is permitted only under a production-sharing agreement with the Bahrain Petroleum Company (BAPCO), the state-owned petroleum company.

Expatriates may own land in designated areas in Bahrain. Non-GCC nationals, including Americans, may own high-rise commercial and residential properties, as well as properties used for tourism, banking, financial and health projects, and training centers.

Officials from U.S. companies with investments in Bahrain occasionally have reported their belief that certain court cases brought against members of the Royal Family have languished in the court system. These officials believed the delays could be attributed to subtle executive pressure put on the judiciary.

Below is a link to a site designed to assist foreign investors navigate the laws, rules, and procedures related to investing in Bahrain: <http://cbb.complinet.com/cbb/microsite/laws.html>

### **Competition and Anti-Trust Laws**

There is no formal competition law in Bahrain, nor is there a specific agency that monitors competition-related issues. However, the MoICT's Consumer Protection Directorate is responsible for ensuring that the law determining price controls is implemented and that violators are punished. There are general restrictions on FDI in some sectors, including the oil and gas and petrochemicals sectors, in which all companies are government-owned.

### **Expropriation and Compensation**

There have been no expropriations in recent years, and there are no cases in contention. The U.S.-Bahrain BIT protects U.S. investments by banning all expropriations (including "creeping" and "measures tantamount to") except those for a public purpose. Such transactions must be carried out in a non-discriminatory manner, with due process, and prompt, adequate, effective compensation.

### **Dispute Settlement**

#### *ICSID Convention and New York Convention*

Bahrain uses multiple international and regional conventions to enhance its commercial arbitration legal framework. Bahrain is a party to the UNCITRAL Model Law on International Commercial Arbitration, the New York Convention, the International Centre for the Settlement of Investment Disputes (ICSID), and the GCC Convention for Execution of Judgments, among others. These conventions and international agreements established the foundation for the GCC Arbitration Centre, and the Bahrain Chamber for Disputes & Resolution (BCDR). Bahrain's Constitution stipulates international conventions and treaties have the power of law.

### *Investor-State Dispute Settlement*

The U.S.-Bahrain BIT provides for three dispute settlement options:

1. Submitting the dispute to a local court;
2. Invoking dispute-resolution procedures previously agreed upon by the national or company and the host country government; or,
3. Submitting the dispute for binding arbitration to the International Center for Settlement of Investment Disputes (ICSID) or any other arbitral institution agreed upon by both parties.

In 2010, the Ministry of Justice established the Bahrain Chamber for Dispute Resolution (BCDR). In partnership with the American Arbitration Association (AAA), the BCDR specializes in alternative dispute resolution services. The jurisdiction of the BCDR-AAA is twofold: Jurisdiction by Law (Section 1 cases), and Jurisdiction by Party Agreement (arbitration, also referred to as Section 2 cases).

#### **Jurisdiction by Law (Section 1 Cases)**

Disputes exceeding BD 500,000 (approximately USD 1.3 million) which involve either an international commercial dispute or a party licensed by the Central Bank of Bahrain (CBB) are referred to the BCDR-AAA. Prior to the creation of the BCDR, these cases fell within the jurisdiction of the courts of Bahrain.

From the establishment of the BCDR-AAA through April 2018, 205 cases were filed under Section 1, with claims totaling over USD 3.4 billion. Of these cases, 31.2 percent were decided or settled within 6 months; 41 percent were decided/settled within 6–12 months; 9.3 percent were decided or settled within 12–18 months; 6.8 percent were decided or settled within 18–24 months; 3.4 percent were decided or settled after 24 months; and 8.3 percent were ongoing.

#### **Arbitration (Section 2 Cases)**

As of April 2018, ten cases have been filed: one in 2013, one in 2015, three in 2016, and five in 2017. Of these cases only three of the cases filed in 2017 as of April 2018 were ongoing and the rest were awarded or settled.

Bahrain Chamber for Dispute Resolution

Suite 301, Park Plaza

Bldg. 247, Road 1704

P.O. Box 20006

Manama, Kingdom of Bahrain

Tel: + (973) 17-511-311

Website: [www.bcdr-aaa.org](http://www.bcdr-aaa.org)

The United Nations Conference on Trade and Development (UNCTAD) reported that Bahrain faced its first known Investor-State Dispute Settlement (ISDS) claim in 2017. The case involves investor claims over the Central Bank of Bahrain's 2016 move to close the Manama branch of Future Bank, a commercial bank whose shareholders include Iranian banks. Bahrain and Iran are party to a BIT.

#### *International Commercial Arbitration and Foreign Courts*

Arbitration procedures are largely a contractual matter in Bahrain. Disputes historically have been referred to an arbitration body as specified in the contract, or to the local courts. In dealings with both local and foreign

firms, Bahraini companies have increasingly included arbitration procedures in their contracts. Most commercial disputes are resolved privately without recourse to the courts or formal arbitration. Resolution under Bahraini law is generally specified in all contracts for the settlement of disputes that reach the stage of formal resolution but is optional in those designating the BCDR. Bahrain's court system has adequately handled occasional lawsuits against individuals or companies for nonpayment of debts.

Bahrain Law No. 9 of 2015 promulgating the Arbitration Law (the "New Arbitration Law") came into effect on August 9, 2015. The law provides that the UNCITRAL 1985 Model Law with its 2006 amendments on international commercial arbitration (the "UNCITRAL Law") will apply to any arbitration, taking place in Bahrain or abroad, if the parties to the dispute agreed to be subject to the UNCITRAL Law.

The GCC Commercial Arbitration Center, established in 1995, serves as a regional specialized body providing arbitration services. It assists in resolving disputes among GCC countries or between other parties and GCC countries. The Center implements rules and regulations in line with accepted international practice. Thus far, few cases have been brought to arbitration. The Center conducts seminars, symposia, and workshops to help educate and update its members on any new arbitration-related matters.

GCC Commercial Arbitration Center

P.O. Box 2338

Manama, Kingdom of Bahrain

Arbitration Boards' Secretariat

Tel: + (973) 17278006

Email: [case@gccac.org](mailto:case@gccac.org)

Website: <http://www.gccac.org/en/>

## **Bankruptcy Regulations**

The GOB enacted its bankruptcy and insolvency law in 1987. Chapter three of the law states that if a business is facing financial difficulties, fails to make consistent financial payments, or fails to pay commercial transactions within a 30-day timeframe, either the company or debt collectors may declare bankruptcy or ask that the company be liquidated. Chapter 7 of the law specifies that the Supreme Court specialize in bankruptcy and liquidation cases. Chapter 2 briefly describes the procedures for managing insolvency, including that the Supreme Court designates a firm to represent the business in all legal and business procedures. The representative will be involved in managing the firm's funds, making payments, and other administrative procedures.

CLDP attorneys have been working with the GOB for the last several years to help draft and ratify a new bankruptcy law. The law was approved by Bahrain's Parliament and Shura Council on April 29, 2018 and as of May 2018 awaits final ratification by the King. The GOB has prioritized updating its bankruptcy law as part of efforts to spur entrepreneurship and the growth of small and medium-sized enterprises.

The Bahrain credit reference bureau, known as "BENEFIT," is licensed by the Central Bank of Bahrain (CBB) and operates as the credit monitoring authority in Bahrain.

## **Industrial Policies**

### **Investment Incentives**

The GOB offers a variety of incentives to attract Foreign Direct Investment (FDI). The Bahrain Logistics Zone, Economic Development Board (EDB), Bahrain Development Bank (BDB), Bahrain International Investment Park (BIIP) and Tamkeen all offer incentives to encourage FDI. Some examples of incentives include: assistance in registering and opening business operations, financial grants, exemption from import duties on raw materials and equipment, and duty-free access to other GCC markets for products manufactured in Bahrain.

### **Foreign Trade Zones/Free Ports/Trade Facilitation**

Khalifa bin Salman Port, Bahrain's primary commercial seaport provides a free transit zone to facilitate the duty-free import of equipment and machinery. The Government of Bahrain has developed two main industrial zones, one to the north of Sitra and the other in Hidd. The Hidd location, known as the Bahrain International Investment Park (BIIP), is adjacent to a logistics zone, known as the Bahrain Logistics Zone. Foreign-owned firms have the same investment opportunities in these zones as Bahraini companies.

Bahrain's Ministry of Industry, Commerce and Tourism (MoICT) operates the BIIP, a 2.5 million square-meter, tax-free zone located minutes from Bahrain's main Khalifa bin Salman port. Many U.S. companies operate out of this park, among them Mondelez International. BIIP is most suited to manufacturing and services companies interested in exporting from Bahrain. The park offers manufacturing companies the ability to ship their products duty free to countries in the Greater Arab Free Trade Area. BIIP has space available for potential investors, including some plots of vacant land designated for new construction, and some warehouse facilities for rental.

A 1999 law requires that investors in industrial or industry-related zones 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, Commerce and Tourism.

### **Performance and Data Localization Requirements**

Companies in Bahrain are obliged to comply with so-called "Bahrainization" employment targets, under which the Labour Market Regulatory Authority (LMRA) mandates that a certain percentage of each company's employees are Bahraini. Companies may contact LMRA to determine their Bahrainization rate, which differs based on the sector of the economy in which they work, or use a calculator available at <http://lmra.bh/portal/en/page/show/193>. The applicable Bahrainization rates are mandatory across the board in the company structure, applying equally to senior management and line workers. Per Cabinet Resolution Number 27 of 2016, LMRA announced in 2016 that companies that are unable to comply with the Bahrainization rates would only be eligible to apply for new work permits and sponsorship transfers by paying an additional fee of BD 300 (roughly USD 800) per non-Bahraini worker. LMRA may apply fines to companies that do not comply with Bahrainization requirements.

There is no excessively onerous visa, residence, work permit, or similar requirement inhibiting the mobility of foreign investors or their employees in Bahrain. Americans and citizens of many other countries can obtain a two-week visa with relative ease upon arrival in Bahrain or online. Bahrain also offers a multiple-entry visa that lasts for five years, if required.

Bahrain has a liberal approach to foreign investment and actively seeks to attract foreign investors and businesses; no product localization is forced and foreign investors are not obliged to use domestic content in goods or technology. There are no government-imposed conditions on permission to invest, including tariff and non-tariff barriers, on American investments.

There are no special performance requirements imposed on foreign investors. The U.S.-Bahrain Bilateral Investment Treaty forbids mandated performance requirements as a condition for the establishment, acquisition, expansion, management, conduct, or operation of a covered investment. Foreign and Bahraini-

owned companies must meet the same requirements and comply with the same environmental, safety, health, and labor requirements. Officials at the Ministry of Labour and Social Development, LMRA and the MoICT supervise companies operating in Bahrain on a non-discriminatory basis.

The Central Bank of Bahrain regulates financial institutions and foreign exchange offices. Foreign and locally owned companies must comply with the same rules, policies, and regulations.

There are no requirements for foreign IT providers to turn over source code and/or to provide access to surveillance.

## **Protection of Property Rights**

### **Real Property**

The Government of Bahrain enforces property rights protections for land and homeowners. Most land has a clear title. Ownership of land is highly concentrated among a few royal family members, and certain areas are off-limits for Bahraini nationals and expatriates alike. Foreign firms and GCC nationals may own land in certain areas in Bahrain. Non-GCC nationals may own high-rise commercial and residential properties. Foreign investors may own property to operate businesses in the following sectors:

- Manufacturing
- Tourism
- Banking and Financial Services
- Healthcare
- Education and Training
- Design
- Advertising.

Foreign investors may own commercial property in the following geographic areas of Bahrain:

- Ahmed Al-Fateh (Juffair) district
- Hooraa district
- Bu Ghazal district
- Seef district
- Northern Manama, including the Diplomatic Area, where the main international corporations are located.

Foreign investors may own residential property in the following tourist areas:

- Durrat Al Bahrain
- Dannat Hawar
- Riffa Views
- Amwaj Islands
- Bahrain Financial Harbor
- Bahrain Bay

- Diyar Al Muharraq
- Norana
- Saar Gate
- Saar Central
- Reef Island
- Jeyoun Village
- Ishbelliya Village.

Most of the new development projects in Bahrain permit expatriates and international investors to own houses, buildings, outlets, or freehold apartments.

### **Intellectual Property Rights**

Under the U.S.-Bahrain Free Trade Agreement (FTA), the Government of Bahrain (GOB) committed to enforce world-class Intellectual Property Rights (IPR) protections. Bahrain signed the Berne Convention for the Protection of Literary and Artistic Works and the Paris Convention for the Protection of Industrial Property in 1996. The GOB ratified revised legislation to implement Bahrain's obligations under the WTO/TRIPS Agreement in 2006. The GOB has passed laws related to intellectual property to bring Bahrain's local laws into compliance with its current Paris Convention commitment and to position it to join the Nice Agreement, Vienna Agreement, Patent Cooperation Treaty, Trademark Law Treaty, Madrid Agreement, Budapest Treaty, and the Rome Convention. Bahrain has joined the WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty.

The government has made progress in reducing copyright piracy, and there are few reports of significant violations of U.S. patents and trademarks in Bahrain. The government's copyright enforcement campaign began in late 1997 and was based on inspections, closures, and improved public awareness. The campaign targeted the video, audio, and software industries with impressive results. Commercially pirated video and audio markets mostly have been eliminated. However, audio, video, and software piracy by end-users remain problems.

There are no technology transfer requirements that force firms to share or divulge technology through compulsory licensing to a domestic partner, nor are firms required to undertake research and development activities in Bahrain.

In May 2016, the GOB issued the Implementing Regulations for the Trademark Law of the Gulf Cooperation Council (GCC), which had originally been approved by Law No. 6 of 2014. Law No. 6 provided a unified trademark regime for all six GCC countries. Bahrain is not listed in USTR's Special 301 Report of the global state of intellectual property rights protection and enforcement and does not track and report on seizures of counterfeit goods.

For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at <http://www.wipo.int/directory/en/>.

The Embassy's webpage also offers a link to local lawyers, some of whom specialize in IPR and/or patent law: <https://bh.usembassy.gov/u-s-citizen-services/local-resources-of-u-s-citizens/attorneys/>

Resources for Rights Holders

Peter Mehravari

Intellectual Property Attache for the Middle East & North Africa

U.S. Embassy Kuwait City, Kuwait

U.S. Patent & Trademark Office

Tel: +965 2259 1455

[Peter.Mehravari@trade.gov](mailto:Peter.Mehravari@trade.gov)

For additional information about national laws and points of contact at local IP offices, please see WIPO's country profiles at <http://www.wipo.int/directory/en/>.

## **Financial Sector**

### **Capital Markets and Portfolio Investment**

Consistent with the Government of Bahrain's (GOB) liberal approach to foreign investment, government policies facilitate the free flow of financial transactions and portfolio investments. Expatriates and Bahrainis alike have ready access to credit on market terms. Generally, credit terms are variable, but often are limited to 10 years for loans under USD 50 million. For major infrastructure investments, banks often offer to assume a part of the risk, and Bahrain's wholesale and retail banks have shown extensive cooperation in syndicating loans for larger risks. Commercial credit is available to private organizations in Bahrain but has been increasingly crowded out by the government's local bond issuances.

In 2016, the GOB launched a new fund designed to inject greater liquidity in the Bahrain Bourse, worth USD 100 million. The Bahrain Liquidity Fund is supported by a number of market participants and will act as a market maker, providing two-way quotes on most of the listed stocks with a reasonable spread to allow investors to actively trade their stocks. Despite these efforts, the market remains relatively small compared to others in the region.

The GOB and the Central Bank of Bahrain are members of the IMF and fully compliant with Article VIII.

### **Money and Banking System**

The Central Bank of Bahrain (CBB) is the single regulator of the entire financial sector, with an integrated regulatory framework covering all financial services provided by conventional and Islamic financial institutions. Bahrain's banking sector remains quite healthy despite sustained lower global oil prices. Bahrain's banks remain well capitalized, and there is sufficient liquidity to ensure a healthy rate of investment. Bahrain remains a financial center for the GCC region, though many financial firms have moved their regional headquarters to Dubai over the last decade. The GOB continues to be a driver of innovation and expansion in the Islamic finance sector. In 2017, Bahrain ranked as the GCC's leading Islamic finance market and second out of 92 countries world-wide, according to the ICD-Thomson Reuters Islamic Finance Development Indicator.

Bahrain has an effective regulatory system that encourages portfolio investment, and the CBB has fully implemented Basel II standards, while attempting to bring Bahraini banks into compliance with Basel III standards. Bahrain's banking sector includes 23 retail banks, 69 wholesale banks, and 36 representative offices. Twenty-four of these banks are Islamic banks.

There are no restrictions on foreigners opening bank accounts or corporate accounts. Bahrain is home to many prominent financial institutions, among them Citi, American Express, and JP Morgan.

Ahli United Bank is Bahrain's largest bank with total assets estimated at USD 33.2 billion as of 2017.

Bahrain implemented the Real-Time Gross Settlement (RTGS) System and the Scripless Securities Settlement (SSS) System in 2007 to enable banks to carry out their payment and securities-related transactions securely on a real time basis. The CBB reported in 2017 that it was in the process of introducing a private network as an alternative communication network for the RTGS-SSS Systems.

After introducing Financial Technology “sandbox” regulations in the first half of 2017 that enabled the launch of cryptocurrency and blockchain startups, the CBB released additional regulations on its website in August 2017 for conventional and Shari’a compliant financing-based crowdfunding businesses. Any firm operating electronic financing/lending platforms must be licensed in Bahrain under the CBB Rulebook Volume 5 – Financing Based Crowdfunding Platform Operator.

## **Foreign Exchange and Remittances**

### *Foreign Exchange Policies*

Bahrain has no restrictions on the repatriation of profits or capital and no exchange controls. Bahrain's currency, the Bahraini Dinar (BD), is fully and freely convertible at the fixed rate of USD 1.00 = BD 0.377 (1 BD = USD 2.659). There is no black market or parallel exchange rate.

There are no restrictions on converting or transferring funds, whether or not associated with an investment.

### *Remittance Policies*

The Central Bank of Bahrain is responsible for regulating remittances, and its regulations are based on the Central Bank Law ratified in 2006. The majority of the workforce in the Kingdom of Bahrain is comprised of foreign workers, many of whom remit large amounts of money to their countries of origin. Commercial banks and currency exchange houses are licensed to provide remittances services.

The commercial banks and currency exchange houses require two forms of identification before processing a routine remittance request, and any transaction exceeding USD 10,000 must include a documented source of the income.

Bahrain enables foreign investors to remit funds through a legal parallel market, with no limitations on the inflow or outflow of funds for remittances of profits or revenue. The GOB does not engage in currency manipulation tactics.

Bahrain is a member of the Gulf Cooperation Council (GCC), and the GCC is a member of the Financial Action Task Force (FATF). Additionally, Bahrain is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), whose headquarters are located in Bahrain. Participating countries commit to combat the financing of terrorist groups and activities in all its forms and to implement FATF recommendations. The Government of Bahrain hosted the MENAFATF's 26<sup>th</sup> Plenary Meeting Manama from December 2-7, 2017. MENAFATF has not yet released a final declaration from the meeting.

## **Sovereign Wealth Funds**

The Kingdom of Bahrain established Mumtalakat, its sovereign wealth fund, in 2006. Mumtalakat, which maintains an investment portfolio valued at roughly USD 11 billion as of early 2018, conducts its business transparently, including by issuing an annual report online. The annual report follows international financial reporting standards and is audited by external, internationally recognized auditing firms. By law, state-owned enterprises (SOEs) under Mumtalakat are audited and monitored by the National Audit Office. In 2016, Mumtalakat received the highest-possible ranking in the Linaburg-Maduell Transparency Index, which specializes in ranking the transparency of sovereign wealth funds. However, Bahrain's sovereign wealth fund does not follow the Santiago Principles.

The sovereign wealth fund holds majority stakes in several firms. Mumtalakat invests 70 percent of its funds in the Middle East, 22 percent in Europe, and eight percent in the United States. The fund is diversified across a variety of business sectors including real estate and tourism, financial services, food & agriculture, and industrial manufacturing.

Mumtalakat often acts more as an active asset management company than a sovereign wealth fund, including by taking an active role in managing SOEs. Most notably, Mumtalakat has been instrumental in helping Gulf Air, Bahrain's flagship air carrier, restructure and minimize its losses. A significant portion of Mumtalakat's portfolio is invested in 38 Bahrain-based SOEs.

Through 2016, Mumtalakat had not been directly contributing to the National Budget. Beginning in September 2017, however, Mumtalakat announced it would distribute profits of BD 20 million to the National Budget for two consecutive years, distributed equally for the years 2017 and 2018.

### **State-Owned Enterprises**

Bahrain's major state-owned enterprises (SOEs) include the Bahrain Petroleum Company (BAPCO), Aluminum Bahrain (ALBA), Gulf Petrochemical Industries Company (GPIC), Gulf Air, Bahrain Telecommunications Company (BATELCO), the National Bank of Bahrain (NBB) Bahrain Flour Mills, and the Arab Shipbuilding & Repair Yard (ASRY). While the GOB maintains full ownership of oil production, refineries, and heavy industries, it allows investment in ALBA, BATELCO, and ASRY, and encourages private sector competition in the banking, manufacturing, telecommunications, shipyard repair, and real estate sectors.

The SOEs are managed by two government-run holding companies: the National Oil and Gas Authority (NOGA) Holding Company, which owns nine energy sector companies, and Mumtalakat, which owns 38 domestic companies in all other sectors. The full portfolio of the NOGA Holding Company can be viewed at [www.nogaholding.com/portfolio/](http://www.nogaholding.com/portfolio/), while the full portfolio of Mumtalakat companies can be viewed at [www.bmhc.bh](http://www.bmhc.bh)

Bahrain is not a party to the WTO Government Procurement Agreement (GPA), however, in 2008 Bahrain was granted "observer" status in the GPA committee.

Private enterprises can, in theory, compete with SOEs under the same terms and conditions with respect to market share, products/services, and incentives. In practice, however, given the relatively small size of Bahrain's economy, large SOEs such as ALBA, BAPCO, GPIC and ASRY have an outsized influence in the market.

In 2002 the GOB instituted guidelines to ensure its SOEs were in line with OECD policies on corporate governance. SOEs produce quarterly reports. The National Audit Office monitors all SOEs and annually reports any irregularities, mismanagement, and corruption

To enhance transparency and accountability the government appointed the Minister of Industry, Commerce and Tourism to be responsible for Mumtalakat. The Minister of Oil and Gas is responsible for NOGA Holding, and all the companies under its umbrella.

All Bahraini SOEs have an independent board of trustees with well-structured management. The Mumtalakat Holding Company is represented by a Board of Trustees appointed by the Crown Prince, while NOGA Holding's Board of Trustees is appointed by a Royal Decree. Each holding company then appoints the Board of Trustees for the SOEs under its authority. In some cases, the appointment of the Board of Trustees is politically driven

### **Privatization Program**

The GOB has been supportive of privatization, and advocates for increased foreign investment as a means of driving private sector growth. The GOB's decision to privatize the telecommunications sector in the early

2000s is an example of incentivizing private sector growth in Bahrain. The GOB does not, however, have any current sectors targeted for privatization.

## **Responsible Business Conduct**

The Ministry of Social Development in 2011 authorized the creation of the Bahrain Corporate Social Responsibility Society (BCSRS) as a social and cultural entity. Though there are no measures in Bahrain to compel businesses to follow codes of responsible business conduct, the BCSRS has sought to raise awareness of corporate social responsibility in the business community, and in 2018 held its second Bahrain International Corporate Responsibility Award ceremony. The Society is a founding member of the Arab Association for Social Responsibility, which includes representatives of most Arab countries.

In 2006, Bahrain established a National Steering Committee on Corporate Governance to improve corporate governance practices. The GOB then drafted a Corporate Governance Code to establish a set of best practices for corporate governance in the kingdom, and to provide protection for investors and other company stakeholders through compliance with those principles. The GOB enforces the code through a combined monitoring system comprising the board, the shareholders and others including the MoICT, CBB, Bahrain Stock Exchange (BSE), Bahrain Courts and Professionals firms including auditors, lawyers and investment advisers. The code does not create new penalties for non-complying companies, but it does state that the MoICT (working closely with the CBB and the BSE) will be able to exercise the penalty powers already granted to it under the Commercial Companies Law 2001.

The GOB, represented by the LMRA, has put in place advanced regulations and laws protecting labor rights -- the most vulnerable category comprising migrant workers from Southeast Asia. Labor courts have not been effective in settling labor disputes between employers and employees. However, there have been some reports of cases that were settled in favor of employees in Bahraini labor courts.

Consumers are protected under Law Number 35 of 2012. MoICT is highly effective in implementing the law Bahrain's amended Corporate Governance Law enhances transparency and ethical business conduct standards. Among the changes, the GOB urged companies to submit audited ratified accounts to the MoICT.

The GOB does not maintain a National Contact Point (NCP) for the Organization for Economic Co-operation and Development (OECD) guidelines nor does it participate in the Extractive Industries Transparency Initiative (EITI).

## **Corruption**

The King and Crown Prince have advocated publicly in favor of reducing corruption and some ministries have initiated clean-up efforts. Legislation regulating corruption are outlined in Bahrain's "Economic Vision 2030" plan, and in the National Anti-Corruption Strategy. Bahrain ratified the United Nations Convention against Corruption and the Arab Convention Against Corruption, both in 2010. Bahrain also joined the International Anti-Corruption Academy (IACA) in October 2016. The General Directorate of Anti-corruption and Economic and Electronic Security dealt with 68 cases in 2017, including those mentioned in the report of the National Financial and Administrative Audit Court. A law to thoroughly revamp government procurement procedures went into effect in 2003 and mandates criminal penalties for official corruption. Under law, government employees at all levels are subject to prosecution and punishments of up to 10 years imprisonment if they use their positions to engage in embezzlement or bribery, either directly or indirectly. The law does not require government officials to make financial disclosures]

Giving or accepting a bribe is illegal. The government, however, has not fully implemented the law, and some officials reportedly continue to engage in corrupt practices with impunity. Officials have at times been dismissed for what is widely believed to be blatant corruption, but the grounds for dismissal rarely have been tied to corruption.

The National Audit Office, established in 2002, is mandated to publish annual reports that highlight fiscal irregularities within government ministries and other public-sector entities. The reports enable legislators to exercise oversight and call for investigations of fiscal discrepancies in government accounts. In 2013, the Crown Prince established an Investigation Committee to oversee cases highlighted within the National Audit Office's annual report.

The Minister of Follow-Up Affairs at the Royal Court was designated in 2015 to execute recommendations made in that year's National Audit Report. At the same time, the Crown Prince urged all government entities and the Council of Representatives to work closely to implement the recommendations made in the report. In late December 2017, Bahrain's National Audit Office issued a report for the years 2016-2017 that listed a number of violations committed by various Bahraini state bodies and agencies, including the Electricity and Water Authority, the Ministry of Labour and Social Development, and the Ministry of Health.

As a result of the 2011 National Dialogue process, the Ministry of Interior established an anti-corruption directorate. In 2011 the Ministry of Interior signed a Memorandum of Understanding with the United Nations Development Program to enhance the anti-corruption directorate's capabilities.

Bahrain has conflict-of-interest laws in place, however, in practice, the application in awarding contracts is not fully enforced.

Local NGOs generally do not focus their efforts on corruption-related issues, though human rights activists and members of the political opposition who have spoken out about corruption have at times been detained, prosecuted, and banned from travel for reasons related to their broader political activism. All civil society groups are required to register with the Ministry of Labour and Social Development, which has the discretion to reject registration if it determines the organization's services unnecessary, already provided by another society, or contrary to state security.

Few cases have been registered by U.S. companies reporting corruption as an obstacle to their investments in Bahrain.

Bahrain signed and ratified the UN Anticorruption Convention in 2005 and 2010, respectively. Bahrain, however, is not a signatory to the OECD Convention on Combating Bribery.

### **Resources to Report Corruption**

Contact at government agency or agencies responsible for combating corruption:

General Directorate of Anti- Corruption & Economic & Electronic Security

Ministry of Interior

P. O. Box 26698, Manama, Bahrain

Hotline: 992

Contact at "watchdog" organization:

Sharaf AlMosawi

President

Bahrain Transparency Association

P.O. Box 26059

Adliya, Bahrain

Phone: +973 39640929

Email: [Sharaf115@gmail.com](mailto:Sharaf115@gmail.com)

## **Political and Security Environment**

Historically, Bahrain has been an open, politically moderate, economically liberal Gulf state that enjoys close ties to the United States. Bahrain has experienced cyclical periods of violence often motivated by political and ideological divisions between the government and the Bahraini Shi'a majority. Notably, since 2011, a violent minority of the opposition have occasionally targeted Bahraini security forces, including by using improvised explosive devices. In 2016 and 2017, the government dissolved the country's two largest opposition political societies and closed the only opposition-leaning independent newspaper. On May 13, 2018, the Bahraini parliament passed a law banning members of political societies dissolved by a government order from running as candidates in elections.

Feelings of oppression and discrimination continue to linger among some members of the Shi'a community; the case against prominent Shi'a cleric Sh. Isa Qassim, other Shi'a activists, and death penalty convictions against alleged militants could continue to serve as future flashpoints for violence.

Neither demonstrators nor violent extremists have targeted Americans or Western expatriates though civilians have occasionally been harmed in terrorist attacks. American citizens visiting Bahrain and companies interested in investing in Bahrain should visit the Embassy's website to receive the most up-to-date information about the security situation and register with the Embassy's consular section.

## **Labor Policies and Practices**

As of the second quarter of 2017, Bahrain's Labour Market Regulatory Authority (LMRA) estimates the Bahrain labor force to number 763,618, of which 606,357 are foreign and 157,261 are local workers. Therefore 79 percent of the total workforce is comprised of foreigners, the majority being unskilled construction workers. The number of new regular work permits issued by LMRA during the second quarter of 2017 was 33,498 representing a decrease of 32.4 percent over the previous year.

According to Bahrain's Information and e-Government Authority, foreigners comprised 55 percent of the Bahrain's population in 2017. LMRA stated that Bahrain's unemployment rate was 4.2 percent in the second quarter of 2017.

The government's primary initiative for combating unemployment is "Bahrainization," or the replacement of expatriate workers by national citizens. In 2009, under the initiative of the Crown Prince, the Economic Development Board launched "Bahrain Economic Vision 2030," a long-term plan to raise Bahrainis' standard of living, reform the government, education, and health sectors, and increase privatization, training and education of the Bahraini workforce to establish Bahrain as a [regional center for human capital](#).

Periodically, foreign firms experience difficulty obtaining required work permits and residence visas for expatriate employees due to Bahrainization efforts. However, this does not appear to be a matter of high-level

policy, and often can be resolved on a case-by-case basis. Where problems occur, U.S. businesses are encouraged to appeal to the highest levels of the concerned ministries, and to consult with the U.S. Embassy.

In 2006 the King ratified the Labor Reforms Law, establishing two entities: the Labour Market Regulatory Authority (LMRA), and the capacity-building organization known as Tamkeen. The law imposed a monthly fee of BD 10 (USD 26.67) on each expatriate employed by a company. The revenues collected under this program are earmarked to provide job training for Bahrainis. The Prime Minister suspended the LMRA fee after the unrest of 2011 over pressure from the Bahrain Chamber of Commerce and Industry and reinstated it in 2013 as a legal amendment to the labor law. Companies pay BD 5 (USD 13.35) for the first five foreign workers and BD 10 (USD 26.67) for every employee over that limit. The Council of Representatives has attempted unsuccessfully to amend the fee structure, most recently in late 2017.

In 2007 the Minister of Labour and Social Development introduced an unemployment allowance to be paid from a general labor fund. The fund is financed by deducting one percent from the wages of all workers and is the first such program in the GCC.

In 2002 the King approved the Workers Trade Union Law of 2002 that recognizes the right of workers to collectively organize and form trade unions and provides limited rights to strike. The law prohibits workers from striking in certain vital sectors including security, aviation, ports, hospitals, and utilities. With the exception of domestic servants, foreign workers are allowed to join trade unions. The law prohibits employers from dismissing an employee for trade union activities. In 2011, the King issued a decree that changed Bahrain's labor law as it pertained to trade unions and federations. Union leadership heavily criticized the new law for some of its other provisions that appear to inhibit freedom of association. The 2012 law prohibits multi-sectoral labor federations and prohibits individuals convicted of felonies from holding union leadership posts. While the amendment also allowed for the formation of multiple trade union federations, it gave the Minister of Labour and Social Development the sole right to select the federation to represent the country's workers in international fora and in national-level bargaining.

In 2010, the U.S. Department of Labor and the Bahrain Ministry of Labour and Social Development convened the first meeting of the U.S.-Bahrain Sub-Committee on Labor Affairs, as established under the U.S.-Bahrain FTA. At the meeting, they reaffirmed their obligations under the FTA related to internationally recognized labor rights, including their obligations as members of the International Labor Organization (ILO) and commitments stated in the ILO Declaration on Fundamental Principles and Rights at Work (1998).

During the political and civil unrest of 2011, thousands of Bahraini employees were dismissed from their private and public-sector jobs. In June 2011, the AFL-CIO filed a petition with the Department of Labor accusing Bahrain of violating the labor rights terms of the U.S.-Bahrain Free Trade Agreement. The November 2011 Bahrain Independent Commission of Inquiry report concluded that the majority of dismissals were motivated by retaliation against employees suspected of being involved in demonstrations. By the end of 2012, the vast majority of dismissed workers in the public and private sectors were reinstated, with the Government working to resolve the remaining cases. In March 2014, the Minister of Labour and Social Development, the Bahrain Chamber of Commerce and Industry, and the General Federation of Bahrain Trade Unions signed a Tripartite agreement to resolve the remaining worker reinstatement cases. Subsequently, the International Labor Organization dropped the complaint it initiated in 2011. Bilateral consultations between the U.S. and Bahrain -- invoked under the Labor Chapter of the FTA in response to the 2011 AFL-CIO complaint -- are ongoing.

### **OPIC and Other Investment Insurance Programs**

Since 1987, the Government of Bahrain and the U.S. Government have maintained an Investment Incentive Agreement permitting the U.S.'s Overseas Private Investment Corporation (OPIC) to provide investment

insurance and reinsurance for companies operating in Bahrain.

## Foreign Direct Investment and Foreign Portfolio Investment Statistics

Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

		Host Country Statistical Source*	USG or International Statistical Source	USG or International Statistical Source	USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
<b>Economic Data</b>	<b>Year</b>	<b>Amount</b>	<b>Year</b>	<b>Amount</b>	
Host Country Gross Domestic Product (GDP) (M USD)	2015	USD 3,113	2016	USD 3,218	<a href="https://data.worldbank.org">https://data.worldbank.org</a>
<b>Foreign Direct Investment</b>	<b>Direct</b>	<b>Host Country Statistical source*</b>	<b>USG or International Statistical Source</b>	<b>USG or International Statistical Source</b>	<b>USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other</b>
U.S. FDI in Partner Country (M USD , stock positions)	2015	N/A	2016	USD 567	<a href="http://www.selectusa.gov">www.selectusa.gov</a>
Host Country's FDI in the United States (M USD , stock positions)	2016	USD 1,468	2016	USD 1,056	<a href="http://www.data.gov.bh">www.data.gov.bh</a> <a href="http://www.selectusa.gov">www.selectusa.gov</a>
Total Inbound Stock of FDI as % host GDP	2015	N/A	2016	8%	<a href="http://www.data.gov.bh">www.data.gov.bh</a> <a href="https://data.worldbank.org">https://data.worldbank.org</a>

Table 3: Sources and Destination of FDI

**Direct Investment from/in Counterpart Economy Data**

**From Top Five Sources/To Top Five Destinations (US Dollars, Millions)**

Inward Direct Investment			Outward Direct Investment		
Total Inward	25,890	100%	Total Outward	7,405	100%
Kuwait	7,251	28%	Kuwait	5,637	28%
Saudi Arabia	6,356	25%	United States	1,467	7%
Libya	3,251	13%	United Kingdom	1,353	7%
Cayman Islands	1,697	7%	Cayman Islands	1,234	6%
India	996	4%	Egypt	716	4%

"0" reflects amounts rounded to +/- USD 500,000.

*Table 4: Sources of Portfolio Investment*

**Portfolio Investment Assets**

**Top Five Partners (Millions, US Dollars)**

Total	Equity Securities		Total Debt Securities				
All Countries	62,520	100%	All Countries	53,713 100%	All Countries	8,807	100%
Kuwait	36,468	58%	Kuwait	29,823 56%	Kuwait	6,645	75%
Saudi Arabia	8,628	14%	Saudi Arabia	8,480 16%	United States	2,077	9%
United States	4,872	8%	United States	2,795 5%	Saudi Arabia	148	2%
UAE	2,525	4%	UAE	2,476 5%	UAE	49	0%

Qatar	1,190	2%	Qatar	1,190	2%	Qatar	0	0%
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### Contact for More Information

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# Trade & Project Financing

## Methods of Payment

The most common method of ensuring payment to exporters is via Letter of Credit (L/C). The L/C should conform to international guidelines established by the International Chamber of Commerce (ICC), as published in the Uniform Customs and Practice for Documentary Credits (UCP). L/Cs offer certain advantages to the seller, namely they make payment dependent on the creditworthiness of the opening (issuing) bank rather than the buyer. For the buyer, an L/C helps ensure all the seller's documents are correct before payment is made. Other possible methods of international commercial payments include cash, open credit, and documentary credit sales.

Several years ago, the Embassy conducted a survey of local companies that regularly import products from the U.S. to determine which payment methods they used most frequently. The full results of the survey are available below. (Note: the cumulative total of payment methods used exceeds 100 percent because some respondents reported using more than one payment method.)

Payment Method	Percent of Respondents
Open Account	55.5%
Commercial Letter of Credit	32%
Bankers' Acceptances	10%
Documentary Collections	5%
Cash in Advance	4.5%
Other Methods	10%

## Banking Systems

The banking sector in Bahrain includes both conventional and Islamic lenders and there is some crossover between the two as reflected by recent mergers and equity purchases.

Bahrain is one of the primary financial hubs in the Middle East, though it faces steep competition from the United Arab Emirates (mainly Dubai). International financial institutions operate in Bahrain without impediments. The Central Bank of Bahrain regulates the banking and insurance sectors. Legal, regulatory, and accounting systems in the financial sector (onshore and offshore) are transparent and consistent with international norms.

Major U.S. banks and financial services firms in Bahrain include Citibank, J.P. Morgan, and American Express. The Bahraini Government announced it hoped to attract more investment funds and "special purpose companies" to Bahrain by offering tax incentives and minimizing capital controls. The Bahraini Government, through its Economic Development Board, is investing heavily in the financial technology sector. In 2017, it launched "Bahrain FinTech Bay," the largest FinTech hub in the Middle East and Africa, to help solidify its position as a financial hub in the region.

As per Bahrain's Economic Board, the main financial services providers in Bahrain are:

**Benefit:** Operates Bahrain's national electronic network for financial transactions. Established in 1997 by 17 commercial banks. Benefit's latest initiatives include a secure, efficient electronic funds transfer system (EFTS) and electronic bill payment presentment (EBPP).

**Arab Financial Services (AFS):** AFS offers Payment Card Industry compliant card payments and outsourced consumer finance.

**NEC Payments:** Offers digital banking and payments.

**Health 360:** Established in 2013 as a joint venture between Takaful International Company and Paramount Healthcare Management Pvt Ltd.

**Payment International Enterprise (PIE):** Provides pre-paid, mobile and payment solutions with an emphasis on assisting customers without bank accounts.

**PayTabs:** Offers e-commerce, online payment processing, invoice and fraud prevention for businesses.

**SADAD:** Originating in Saudi Arabia, SADAD provides a single payment solution for individuals, banks, businesses and government

## Foreign Exchange Controls

The Bahraini Dinar (BD) is fully convertible and pegged to the U.S. dollar (BD 1 = USD \$2.66). There are no foreign exchange controls or restrictions on the repatriation of capital from Bahrain.

## US Banks & Local Correspondent Banks

U.S. banks operating in Bahrain include:

- American Express

American Express's Middle East headquarters is located in Bahrain.

AMEX Middle East Headquarters Al Moayyed Tower, Floor 14, 15, 16 and 17

Gate 2504 Road 2832 Al Seef District 428

P.O. Box 5990 Manama, Kingdom of Bahrain

Tel: + (973) 17 557777, (+973) 17 557 755

- Citibank

Citibank operates as a full commercial bank, offshore banking unit, representative office, and as an Islamic-banking subsidiary.

P.O. Box 548 Manama, Kingdom of Bahrain

Tel: (973) 1758-8588 Fax: (973) 1758-8595

- J.P. Morgan Chase

J.P. Morgan Chase operates as an offshore bank.

P.O. Box 368 Manama, Kingdom of Bahrain

Tel: (973) 1753-5388 Fax: (973) 1753-5135

## Project Financing

Bahrain's onshore and offshore banks have extensive experience providing syndicated loans for larger risk projects, including major infrastructure investments. The Bahrain Development Bank (BDB) promotes industrial development in Bahrain. The BDB also lends funds for local projects it deems to be priorities. BDB funding is not restricted to Bahraini-owned companies. BDB funds are allocated on market terms and available to foreign investors. Credit terms are variable, but usually limited to ten years with a maximum grace period of two years.

Financing Web Resources

- Trade Finance Guide: A Quick Reference for U.S. Exporters, published by the International Trade Administration's Industry & Analysis team: [www.export.gov/tradefinanceguide/index.asp](http://www.export.gov/tradefinanceguide/index.asp)

- Export-Import Bank of the United States: [www.exim.gov](http://www.exim.gov)
- Country Limitation Schedule: [www.exim.gov/tools/country/country\\_limits.html](http://www.exim.gov/tools/country/country_limits.html)
- OPIC: [www.opic.gov](http://www.opic.gov)
- Trade and Development Agency: [www.tda.gov/](http://www.tda.gov/)
- SBA's Office of International Trade: [www.sba.gov/oit/](http://www.sba.gov/oit/)
- USDA Commodity Credit Corporation: [www.fsa.usda.gov/cc/default.htm](http://www.fsa.usda.gov/cc/default.htm)
- U.S. Agency for International Development: [www.usaid.gov](http://www.usaid.gov)
- Bahrain Development Bank: [www.bdb-bh.com/](http://www.bdb-bh.com/)
- Central Bank of Bahrain: [www.cbb.gov.bh/](http://www.cbb.gov.bh/)
- Bahrain Bourse (Stock Market): [www.bahrainbourse.net/bhb/default.asp?language=en](http://www.bahrainbourse.net/bhb/default.asp?language=en)
- Ministry of Finance: [www.mof.gov.bh/](http://www.mof.gov.bh/)

# Business Travel

## Business Customs

Frequent personal contact is the key to doing business successfully in Bahrain. Visiting business professionals should be prepared to spend a portion of any business meeting socializing and getting to know their counterparts. Most visitors to Bahrain should build flexibility into their schedules because some appointments may not be scheduled until the visitors already have arrived in Bahrain. Appointments may be double-booked or scheduled on short notice.

A visitor should arrive on time for his meeting, particularly for a government appointment. Once the meeting begins, it may be interrupted by telephone calls or office visits. Coffee, tea, or soft drinks are commonly offered (except during the Muslim holy month of Ramadan), and should be accepted. Alcohol is generally not acceptable in meetings or most public settings, and is strictly prohibited during Ramadan, restaurants and liquor shops cease the sales of alcohol during this month. Politeness is highly valued; blunt statements should be recast into constructive, balanced terms.

The majority of local businesspeople and government officials wear local attire - a white dress (thobe) for men with a fabric headdress including a scarf (ghatrah) and a headband (egal) and a black dress (abaya) and headcovering (hijab) for women. However, expatriates typically wear business attire similar to that of the United States.

Business cards are usually exchanged during the first meeting. Visiting business officials should have their business cards ready to hand out at the beginning of the meeting.

Devout Muslims pray five times daily. Visitors should be sensitive to hosts who break off a discussion for prayer.

Many Bahraini government and business officials have attended school in the UK or U.S. and are knowledgeable about Western business customs. Particularly with Western-educated officials, there is little that a visiting businessperson might find different from home. English is widely spoken.

Most government offices operate Sunday through Thursday, and many companies also are open half-days on Saturdays. Most commercial banks are open Sunday through Thursday.

## Travel Advisory

The crime rate in Bahrain is low and violent crimes are rare. However, burglary, petty theft, and robberies do occur. Visiting U.S. citizens should take the same security precautions in Bahrain as they would practice in the United States. There are occasional civil disturbances in various parts of the country. The U.S. Embassy advises American citizens to avoid any protests or large gatherings in the streets.

Americans in Bahrain, as elsewhere, should enroll to receive alerts at [step.state.gov](http://step.state.gov), and should maintain a high level of security awareness while following their daily business or social routines, due to the global threat of terrorism. For the latest travel advisories, please visit the U.S. Embassy Bahrain's website at <http://bahrain.usembassy.gov/> or the Department of State's Bahrain Country Specific Information page: <https://travel.state.gov/content/passports/en/country/bahrain.html>.

## Visa Requirements

American citizens traveling to Bahrain can review visa eligibility requirements at [www.evisa.gov.bh](http://www.evisa.gov.bh) and complete the application process for several types of visas on that website.

American citizens may apply for one of several visa types. The most popular visa types include:

1. The two-week, single-entry visa can be obtained upon arrival at Bahrain International Airport. It costs BD 5 (about \$13). It can be extended at the Nationality, Passports and Residence Administration in Bahrain by paying an additional fee.
2. The one-month multiple-entry visa can be obtained upon arrival at Bahrain International Airport. It costs BD 25 (about \$67) and can be extended at the Nationality, Passports and Residence Administration in Bahrain by paying an additional fee.
3. The one-month multiple-entry e-visa costs BD 29 (about \$77). It is valid for one month from the time of approval and authorizes a stay of up to 30 days.
4. The two-week multiple-entry business visa is valid for one month. It can be obtained at the Embassy of the Kingdom of Bahrain in Washington, D.C. It must be used within one month of approval and is valid for one month from the time of entry. The maximum length of stay allowed is two weeks. It can be extended one time for 14 days at the Nationality, Passports and Residence Administration in Bahrain by paying an additional fee.
5. The one-month multiple-entry tourism visa is valid for three months. It can be obtained upon arrival at Bahrain International Airport and costs BD 25 (about \$67). This visa can be extended one time for 14 days at the Nationality, Passports and Residence Administration in Bahrain by paying an additional fee.
6. The five-year multiple re-entry visa (RV) can be obtained at the Embassy of the Kingdom of Bahrain in Washington, D.C. The visa can be used for multiple entries during this period. It permits a maximum 90 days stay in Bahrain (per visit). The visa can be extended one time for 14 days at the Nationality, Passports and Residence Administration in Bahrain by paying an additional fee.

It is important to note that your U.S. passport must be valid for at least six months after your arrival in order to be granted admission into Bahrain.

For more details, please visit [www.evisa.gov.bh/](http://www.evisa.gov.bh/). U.S. citizens may pay for their visas using a variety of currencies, including U.S. Dollars, Bahraini Dinars, Euros, and British Pounds.

Of note, having an Israeli entry stamp in a passport does not preclude a person from obtaining a Bahraini visa, nor from entering Bahrain.

Non-Bahrainis wishing to live and work legally in Bahrain will need to apply for a work visa and residency permit from the Labor Market Regulatory Authority and the General Department for Nationality & Passport Residence. For details visit: [www.expatarrivals.com/bahrain/work-permits-for-bahrain](http://www.expatarrivals.com/bahrain/work-permits-for-bahrain).

For further details about visas for Bahrain, please contact the Embassy of the Kingdom of Bahrain in Washington, D.C. at +1-202-342-1111.

## Currency

Bahrain's currency is called the Bahraini Dinar. Businesses will often accept multiple currencies as payment, among them Saudi Riyals and Emirati Dirhams.

The Bahraini Dinar (BD) is divided into 1000 fils, and is available in the following denominations: 5 fils, 10 fils, 25 fils, 50 fils, 100 fils, 500 fils, 1 BD, 5 BD, 10 BD and 20 BD.

The exchange rate of BD with the US Dollar is fixed at 1 BD = US\$ 2.66. Money can be conveniently exchanged at any commercial bank or moneychanger.

Most businesses accept international credit and debit cards. Visa and MasterCard are the most widely accepted credit cards and are the most commonly issued cards by banks in Bahrain. Charge cards such as those issued by American Express CrediMax and Diners Club are also available in the Gulf and are fairly

widely accepted, although less so than the major credit cards, mainly because of the higher commission charged to the supplier of the goods or services.

Withdrawals of cash from an overseas account can be made using an international network such as Visa or MasterCard. It is also possible to withdraw cash using a credit card, although this generally incurs high charges.

Visitors can withdraw cash from ATMs in Bahrain using all major credit and charge cards. Customers must present a credit card as a form of guaranteed payment when renting a car or booking a hotel.

## **Telecommunications/Electronics**

The state-owned Bahrain Telecommunications Company (Batelco) operates a modern and efficient telecommunications network. Mobile (GSM) phones are widely used. Roaming arrangements cover the GCC, U.S., and European Union countries. Three local companies, Batelco, Viva and Zain, operate mobile phone networks and provide internet services.

Accessibility to a free WIFI connection is available in most hotels in Bahrain. Bahrain uses electricity voltage of 220-240 Volts (the U.S uses 110-120 Volts) and the primary socket is type G - British BS-1363.

## **Transportation**

Bahrain's only public airport, Bahrain International Airport (airport code: BAH), is a regional hub for Bahrain's national carrier, Gulf Air. Several international airlines service Bahrain and the United States via connections through the Gulf or Europe.

Bahrain has a well-developed road network with well-lit, multi-lane highways. The Government of Bahrain is implementing a transportation master plan to improve the road transportation network with new highways, bridges and overpasses. Most major roads have three to six lanes and are well maintained. In older parts of the country, however, many streets are unpaved or in poor condition.

Bahrain and Saudi Arabia are connected by the 25-km (16-mile) King Fahad Causeway, which opened in November 1986. The Government has announced plans to build a second causeway to Saudi Arabia. When complete, this causeway also will include two rail lines (one for passengers and one for cargo) as part of the planned GCC railway network.

Drivers in Bahrain should exercise extreme caution. Accidents are common. Local drivers often flout traffic regulations and police rarely enforce the rules of the road. Speed cameras and radar have been installed at some intersections. Driving on weekend nights can be particularly hazardous. Bahrain has a zero-tolerance policy for drunk driving. Traffic congestion is common in Manama, exacerbated by ongoing construction projects and weekend traffic from neighboring countries.

The Government of Bahrain is expanding public transportation options in an effort to decrease traffic congestion. Over 141 public buses cover 27 routes in all regions of the island. Usually they are reliable and quite cheap. Taxis are more expensive than buses, however they are air-conditioned and can take you to more places than the public transportation system offers. Passenger boats connect Bahrain with the Hawar and Al Dar islands.

## **Language**

The official language of Bahrain is Arabic, but English is widely spoken as the standard language of business and higher education. Hindi, Farsi, Urdu, and various other south Asian languages also are common.

## Health

Sanitary standards for food and water are generally quite good, particularly at major hotels. The Government inspects restaurants to maintain hygienic standards.

Bahrain has a modern healthcare system. There is a BD 7 (about \$19) fee for expatriates who visit an emergency clinic in a government hospital. The Department of State strongly urges U.S. citizens to consult with their medical insurance companies prior to traveling abroad to confirm whether their policies provide coverage overseas and if they cover emergency expenses such as medical evacuation. Few hospitals and clinics accept U.S. insurance, and patients often must pay up front for service and seek reimbursement later from their insurance providers.

Hospitals, clinics, and pharmacies -- including several twenty-four hour pharmacies -- are widely available and of high quality. Certain American pharmaceutical products may be unavailable or sold under a European brand name.

Information on vaccinations and other health precautions, such as safe food and water precautions and insect bite protection, may be obtained from the Centers for Disease Control and Prevention's hotline for international travelers at 1-877-FYI-TRIP (1-877-394-8747); fax 1-888-CDC-FAXX (1-888-232-3299), or via the CDC's internet site at [www.cdc.gov/travel](http://www.cdc.gov/travel). For information about outbreaks of infectious diseases abroad, consult the World Health Organization's website at [www.who.int/en](http://www.who.int/en). Further health information for travelers is available at [www.who.int/ith](http://www.who.int/ith).

## Local Time, Business Hours and Holidays

Local time: Bahrain is three hours ahead of Greenwich Meantime and seven hours ahead of Eastern Daylight Time. Bahrain does not observe daylight savings time and therefore is eight hours ahead of Eastern Standard Time during winter months.

Business hours: Sunday through Thursday is the normal workweek in Bahrain. Government offices are generally open from 7:30 a.m. to 2 p.m. Most businesses operate from 8 a.m. to 5 p.m. Sunday-Thursday, though smaller businesses close for lunch from noon to 4 p.m. Larger companies operate seven days a week, but may have reduced hours on weekends.

Bahrain's numerous shopping malls are open late, often to 10 p.m. on weekdays and past midnight on weekends.

**Ramadan:** Ramadan (May 17 – June 15, 2018\*) is the holiest month of the Islamic Calendar. Muslims fast from sunrise to sunset during Ramadan. It is illegal in Bahrain for anyone – including non-Muslims – to smoke, eat, or drink in public during daylight hours. Most restaurants and cafes are closed during daylight hours, but major hotels will normally keep one restaurant discretely open for non-Muslim guests. During Ramadan, government offices and most businesses have shortened hours, though many shopping malls and restaurants reopen at dusk and operate well past midnight.

**Public Holidays for 2018:** [www.officeholidays.com/countries/bahrain/](http://www.officeholidays.com/countries/bahrain/)

- January 1, New Year's Day
- January 3, Prophet's Birthday
- May 1, Labor Day
- June 15-17, Eid Al Fitar
- \*August 21-23, Eid Al Adha
- \* September 11, Hijra Day (Muslim New Year)

- \* September 19-20, Ashura
- \* November 20, Prophet's Birthday
- December 16-17 National Day

\*Local religious holidays are governed by the lunar calendar and are subject to change. The Government of Bahrain announces exact dates a few days before the actual holiday.

Business travelers to Bahrain seeking appointments with officials at the U.S. Embassy in Bahrain should schedule their appointments prior to departure from the United States. The Commercial Section may be reached by telephone at (973) 1724-2738, by fax at (973) 1725-6717, or by e-mail at [ManamaCommerce@state.gov](mailto:ManamaCommerce@state.gov). The U.S. Embassy may observe U.S. and Bahraini public holidays.

### **Temporary Entry of Materials or Personal Belongings**

The Bahrain International Airport has no restrictions on the temporary entry of personal electronic devices such as laptops, software, or exhibit materials. Religious propaganda and potentially offensive printed materials, CDs, videos or films, should not be brought into the country. Strict copyright laws are enforced in the Kingdom, and any pirated video and audio tapes, or illegal computer software, will be confiscated. A list of goods prohibited from entry into Bahrain can be found on the Bahrain Customs Affairs website at [www.bahraincustoms.gov.bh/page.php?SID=WTBkR2JscFVNREZOUTFwMFVGVUpiV015TURsTmVrVTk%253D](http://www.bahraincustoms.gov.bh/page.php?SID=WTBkR2JscFVNREZOUTFwMFVGVUpiV015TURsTmVrVTk%253D).

Passengers are required to declare cash, or any other financial instrument exceeding BD 10,000 (approximately \$26,600). There is no restriction on the amount of cash that passengers may carry. Any declaration requirement is for monitoring and statistical purposes. For additional information, please visit the Civil Aviation Authority and Bahrain International Airport's website at [www.bahrainairport.com/en/prepare-documents/customs-rules.html](http://www.bahrainairport.com/en/prepare-documents/customs-rules.html)

### **Travel Related Web Resources**

[Bahrain International Airport](#)

[Centers for Disease Control and Prevention](#)

[World Health Organization](#)

[World Health Organization's International Traveler Health Information](#)

[Bahrain Ministry of Health](#)

[Bahrain Ministry of Foreign Affairs Visa Information](#)

[Embassy of the Kingdom of Bahrain in Washington, D.C.](#)

[U.S. Embassy Manama, Bahrain](#)

[Ministry of the Interior \(Police\)](#)

[Department of State – Bahrain Travel Information](#) -

[Central Bank of Bahrain](#)

[Bahrain Ministry of Interior: E-visas](#)