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Executive Summary

The investment climate in the Kingdom of 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 (SOE’s), the Government of Bahrain (GOB) aims to foster a greater role for the private sector in economic growth. The efforts focus on encouraging foreign direct investment in Bahrain, including in the information and communications technology (ICT), education and training services, tourism, financial services, business services, healthcare services, energy, and aluminum sectors.

The U.S.-Bahrain Bilateral Investment Treaty (BIT) entered into force in May 2001 and the U.S.-Bahrain Free Trade Agreement (FTA) entered into force in January 2006. The BIT provides benefits and protection to U.S. investors in Bahrain, for example, most-favored nation treatment, the right to make financial transfers freely and without delay, international law standards for expropriation and compensation cases, and access to international arbitration. The BIT guarantees national treatment for U.S. investments across all sectors, with very few exceptions. American firms interested in selling products exclusively in Bahrain are no longer required to appoint a commercial agent. Bahrain allows 100 percent foreign ownership of new industrial entities and the establishment of representative offices or branches of foreign companies without local sponsors. Under the U.S.-Bahrain FTA, Bahrain is committed to enforcing world-class Intellectual Property Rights (IPR) protection.

Despite the GOB’s transparent, rules-based government procurement system, U.S. companies have reported operating at a perceived disadvantage compared with other firms in certain government procurements. Some businesses report contracts are not always awarded solely based on price and technical merit. Many ministries require firms to pre-qualify prior to bidding on a tender, often rendering firms with little prior experience in Bahrain ineligible to bid on major tenders. U.S. firms sometimes report perceived high-level corruption is an obstacle to foreign direct investment. Petty corruption, however, is relatively rare in Bahrain. The bureaucracy is sometimes inefficient, but generally honest. Giving or accepting a bribe is illegal, although relevant laws are enforced with some degree of inconsistency.

In February 2011, a period of political and civil unrest began in Bahrain. While the situation today is quite different and far more stable than in 2011, demonstrations continue to occur, occasionally developing into violent clashes by demonstrators against police. These violent clashes, when they occur, sometimes make travel in and around parts of Bahrain potentially dangerous. There are no indications that Westerners or U.S. citizens are being targeted directly, but there have been isolated incidents in which protesters voiced anti-U.S. sentiments and burned U.S. flags. The unrest has had a limited impact on American businesses in Bahrain.

The Kingdom of Bahrain held Parliamentary elections in November 2014, during which the business community played an active role. These were the first elections held since constitutional reforms enacted in 2012 gave the legislative branch powers to discuss and approve a Government Action Plan (GAP). In February 2015, the newly-elected parliament approved the 2015-2018 GAP, which included plans to build 25,000 housing units, additional infrastructure development, and minor health care reforms.
1. Openness To, and Restrictions Upon, Foreign Investment

Attitude toward Foreign Direct Investment

The 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. Bahrain permits 100 percent foreign-ownership of a business or branch office, without the need for a local partner; no other Gulf Cooperation Council (GCC) member state allows this. Bahrain has no tax on corporate income, personal income, wealth, capital gains, withholding or death/inheritance. There are no restrictions on repatriation of capital, profits or dividends. Bahrain’s Ministry of Industry and Commerce operates the Bahrain International Investment Park, a 2.5 million square meter park located minutes from Bahrain’s main Khalifa bin Salman port. Only 5 percent of the land in the park, however, remains available for new enterprises. Bahrain is particularly keen on attracting investment from the U.S. A Bilateral Investment Treaty with the U.S. entered into force in May 2001 and the U.S.-Bahrain Free Trade Agreement commenced in January 2006.

Other Investment Policy Reviews

The World Trade Organization conducted a formal Trade Policy Review of Bahrain in 2014. Here is a link to the report:  http://www.wto.org/english/tratop_e/tpr_e/tpr_e.htm

Laws/Regulations of Foreign Direct Investment

The U.S.-Bahrain Bilateral Investment Treaty (BIT) provides benefits and protection to U.S. investors in Bahrain, such as most-favored nation treatment and national treatment, the right to make financial transfers freely and without delay, international law standards for expropriation and compensation cases, and access to international arbitration. The BIT guarantees national treatment for U.S. investments across all sectors, with exceptions for ownership of television, radio or other media, fisheries, and privatization of oil dredging or exploration. The GOB also provides most-favored nation or national treatment status to U.S. investments in air transportation, the buying or ownership of land, and the buying or ownership of shares traded on the Bahrain Bourse (Local stock exchange).

Because of the national treatment benefit offered American firms in the BIT, 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 anyway. 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 BAPCO, the state-owned petroleum company.
Foreign firms and GCC nationals may own land in Bahrain. Non-GCC nationals may own high-rise commercial and residential properties, as well as property in tourism, banking, financial and health projects, and training centers, in specific geographic areas that are issued by an edict from the Prime Minister’s Cabinet.

Industrial Promotion

The Government of Bahrain targets FDI in the following sectors: financial services, professional and industrial services, logistics, education and training, and manufacturing. Bahrain's Economic Development Board (EDB) publishes information on these sectors online and in its quarterly publication. EDB also has several offices overseas, including one in Washington, DC, from which staff travel throughout the United States to promote investment in these sectors.

Limits on Foreign Control

The Kingdom of Bahrain does not impose any limits on foreign ownership or foreign control for U.S. companies.

Privatization Program

Bahrain's Crown Prince is an outspoken proponent of privatization, and he advocates increased foreign investment as a means of driving private sector growth. To promote this goal, he endorsed the establishment of a one-stop-shop for potential investors. Bahrain’s Economic Development Board works with Bahrain’s ministries to attract FDI by highlighting the business-friendly environment Bahrain offers to foreign companies. In April 2014, the Crown Prince appointed a new board of directors for the EDB, significantly increasing the number of private sector representatives on the board. In February 2015 the Crown Prince appointed a new CEO with a strong private sector background.

Screening of FDI

Bahrain does not designate a single entity to screen and/or approve FDI. In recent years, however, it is apparent the Government of Bahrain has become more selective in supporting and approving foreign investment projects. Decisions to approve or reject FDI appear to be primarily based on concerns over land scarcity and national security. The government also seeks to prioritize FDI that will generate the maximum number of jobs for Bahraini nationals.

Competition Law

There is no formal competition law in Bahrain, nor is there a specific agency that monitors competition-related issues. There are general restrictions on FDI in some sectors, including the oil and gas and petrochemicals sectors, in which all companies are government-owned.

Investment Trends

In response to the 2011 period of unrest in Bahrain, and the damage Bahrain’s economy experienced, four GCC countries (Kuwait, Qatar, Saudi Arabia, and the United Arab Emirates)
launched a 10-year, USD 10 billion initiative known as the GCC Development Program or Marshall Fund for Bahrain and Oman. Under this program, funding will be directed towards infrastructure projects; housing; schools construction; social and youth programs; and healthcare. The initial announcement of the program indicated that Bahrain would receive USD 1 billion each year for 10 years. A Housing Report issued in December 2014 stated that the GCC aid programs would focus mainly on the housing sector in Bahrain. The Saudi Development Fund provided USD 198.9 million to finance 1560 housing units in the Southern Governorate; the Kuwaiti Development Fund provided USD 891.2 million to finance 5327 housing units - 4023 in East Hidd and 1304 in the Northern City; and the Abu Dhabi Development Fund provided USD 1.175 billion for reclaiming East Hidd, and to finance construction in the Northern City.

Potential investors should note that any tenders issued for projects funded by other GCC countries likely will require the awardee to partner with a company from the country funding the project.

Table 1

<table>
<thead>
<tr>
<th>Measure</th>
<th>Year</th>
<th>Index or Rank</th>
<th>Website Address</th>
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<tr>
<td>TI Corruption Perceptions index</td>
<td>2014</td>
<td>55 of 175</td>
<td>transparency.org/cpi2014/results</td>
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<tr>
<td>Global Innovation Index</td>
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</tr>
<tr>
<td>World Bank GNI per capita</td>
<td>2013</td>
<td>USD 19,700</td>
<td>data.worldbank.org/indicator/NY.GNP.PCAP.CD</td>
</tr>
</tbody>
</table>

2. Conversion and Transfer Policies

Foreign Exchange

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.

The Kingdom of Bahrain is a member of the Gulf Cooperation Council (GCC), and the GCC is a member of the Financial Action Task Force (FATF). Additionally, the Kingdom of Bahrain is a member of MENAFATF and the MENAFATF headquarters is located in the Kingdom of Bahrain.

3. Expropriation and Compensation

There have been no expropriations in recent years, and currently there are no known claims or disputes. The U.S.-Bahrain Bilateral Investment Treaty (BIT) protects U.S. investments by banning all forms of expropriations, direct or indirect, except those for designated for public purpose. The expropriations must be carried out in a non-discriminatory manner, providing due process, and prompt, adequate, effective fair market compensation.

4. Dispute Settlement

Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts

Bahrain has a long-established framework of commercial law. English is widely used, and well-known international (including U.S.) law firms, working in association with local partners, provide expert legal services both nationally and regionally. Fees are charged according to internationally accepted practices. Although only a Bahraini lawyer can argue in a Bahraini court of law, lawyers of other nationalities can and do work on cases. 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.

Bankruptcy

Bahrain’s enacted its bankruptcy and insolvency law in 1987. Chapter 3 of the law states that if a business is facing financial difficulties, failing to make consistent financial payments, or failing 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 specializes in bankruptcy and liquidation cases. Chapter 2 briefly describes the procedures for managing insolvency: 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.
Investment Disputes

The U.S.-Bahraini 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;
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 November 2009, the Ministry of Justice established the Bahrain Chamber for Dispute Resolution (BCDR). In partnership with the American Arbitration Association, the BCDR specializes in alternative dispute resolution services. Since 2010, the BCDR has reviewed 86 commercial cases worth USD 1.582 billion. Most of the companies’ cases involved family-owned companies in the GCC region.

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

International Arbitration

Arbitration procedures are largely a contractual matter in Bahrain. Disputes are historically referred to an arbitration body as specified in the contract, or to the local domestic 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. 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 Bahrain Chamber for Dispute Resolution. Bahrain’s court system handles suits against individuals or companies for nonpayment of debts.

The GCC Commercial Arbitration Center, established in 1995, serves as a regional specialized body providing international arbitration services between the GCC member states and or between states and third non-GCC parties. The Center implemented their own rules and regulations. Thus far, few cases have been brought to arbitration. The Center conducts seminars, symposia, and workshops to help educate and update its members of any new arbitration related matters.

GCC Commercial Arbitration Center
P.O. Box 2338
Manama, Kingdom of Bahrain
Arbitration Boards’ Secretariat
Tel: + (973) 17278006
ICSID Convention and New York Convention

The Kingdom of Bahrain uses multiple international and regional conventions that enhance their commercial arbitration legal framework. Bahrain is a party to the UNCIRAL Model Law on International Commercial Arbitration, the Convention of the Recognition and Enforcement of Arbitral Awards (New York Convention), the International Center for Settlement of Investment Disputes (ICSID Convention), and the GCC Convention for Execution of Judgments, among others. These conventions and international agreements established the foundation for the Bahrain Chamber for Disputes & Resolution (BCDR). Bahrain’s Constitution stipulates international conventions and treaties have the power of law.

Duration of Dispute Resolution

The Kingdom of Bahrain has no specialized commercial courts, and commercial cases can sometimes take a long time to resolve in the court system. Disputes referred to the BCDR are usually resolved within six months. The business community uses the court system as a last resort if a dispute cannot be resolved. When a court reaches its verdict, the decision generally is enforced.

5. Performance Requirements and Investment Incentives

WTO/TRIMS

Since 1995, Bahrain has been a member of the World Trade Organization (WTO) and General Agreement on Tariffs and Trade (GATT) member since 1993. The GOB implements policies in a manner consistent with WTO/TRIMS.

Investment Incentives

The GOB offers a variety of incentives to attract FDI. The Bahrain Logistics Zone, Economic Development Board, Bahrain International Investment Park and Tamkeen all offer incentives to encourage FDI. Some examples of incentives include: assistance in registering and opening business operations, financial grants, and exemption from import duties on raw materials and equipment, and duty free access to all GCC markets.

Research and Development

U.S. and/or other foreign firms are able to participate in government/authority financed and/or subsidized research and development programs.

Performance Requirements

There are no special performance requirements imposed on foreign investors. This is reinforced by the U.S.-Bahraini BIT, which 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 Labor and the Ministry of Industry and Commerce supervise companies operating in Bahrain on a non-discriminatory basis.

Data Storage

Not applicable.

6. Right to Private Ownership and Establishment

In principle, private entities may freely establish, acquire, and dispose of interests in business enterprises, subject to the limitations noted in this chapter.

The U.S.-Bahrain FTA entered into force in January 2006. The agreement significantly expanded the scope of economic, commercial, and trade relations between the two countries. The FTA does not have a separate investment chapter, because investment protections were covered in the U.S.-Bahrain BIT.

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. The BIT guarantees national treatment for U.S. investments across all sectors, with exceptions for ownership of television, radio or other media, fisheries, and privatization of oil dredging or exploration. Bahrain also provides most-favored nation or national treatment status to U.S. investments in air transportation, the buying or ownership of land, and the buying or ownership of shares traded on the Bahrain Bourse.

Because of the national treatment offered American firms in the BIT, 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 anyway. 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 BAPCO, the state-owned petroleum company.

Foreign firms and GCC nationals may own land in Bahrain. Non-GCC nationals may own high-rise commercial and residential properties, as well as property in tourism, banking, financial and health projects, and training centers, in specific geographic areas that are issued by an edict from the Prime Minister’s Cabinet.
7. Protection of Property Rights

Real Property

The Bahraini legal system adequately protects and facilitates acquisition and disposition of property rights. The concept of a mortgage exists, and there is a recognized and reliable system of recording such security interests. However, there is currently no mortgage law that guarantees lenders the right to repossess property in case of non-repayment. In 2011 the Ministry of Housing initiated a project for drafting a mortgage law to be in line with the recommendations from the National Dialogue of 2011. The Ministry established a Committee consisting of consultants, with representatives from the Ministry of Housing, Ministry of Finance, and the Economic Development Board. The Ministry also contacted the Tender Board to conduct specialized studies. The Ministry of Housing acknowledges that having a modern mortgage law would assist in resolving housing issues in the Kingdom.

Intellectual Property Rights


The government has made progress in reducing copyright piracy, and there are no 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 remains a problem.

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.

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. http://bahrain.usembassy.gov/attorneys.html
8. Transparency of the Regulatory System

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. In the past, government-tendering procedures for large projects were not highly transparent. U.S. companies sometimes reported operating at a disadvantage compared with other international firms. Some businesses report contracts were not always decided solely based on price and technical merit; and selected, pre-qualified firms were occasionally invited to bid on major government tenders.

Since January 2003, however, the Tender Board has processed all tender decisions valued at USD 26,525 (BD 10,000) or higher. Individual ministries and departments may still process projects valued at less than USD 26,525 (BD 10,000). U.S. firms report that the process greatly improved but challenges remain. A local representative with strong connections may still be important in the bidding process. Open tenders are listed on the Tender Board’s website: http://www.tenderboard.gov.bh/. The Tender Board is only obligated to publicize widely tenders over USD 2.65 million (BD 1 million).

In an attempt to streamline licensing and approval procedures, the Ministry of Industry and Commerce opened the Bahrain Investors Center (BIC) in October 2004 for both local and foreign companies seeking to register in Bahrain. Moreover, the government decreased the registration fees for most business and professional services companies to promote growth in this sector.

The BIC is designed as a one-stop shop providing all commercial licensing and registration services. This high-tech, customer-friendly and easy to find facility, located in one of Bahrain's largest shopping malls, is part of a larger effort by the GOB to attract firms to use Bahrain as their "Gateway to the Gulf" by setting up regional operations here. It houses representatives from more than a dozen relevant ministries and private sector representatives from the telecommunications, legal, banking, and consulting industries under one roof.

Officials from the Ministry of Commerce note that the BIC can process and issue 80 percent of commercial registration applications within 24 hours, and another 10 percent of commercial registrations within five working days. The remaining 10 percent, mostly those having to do with health, environment, power, and other essential services, are processed separately according
to sector-specific regulations, and licenses are issued on a case-by-case basis. In practice, although the BIC issues primary commercial registrations, delays are still common, as other ministries maintain roles in certain sectors.

Entrenched local business interests with government influence also can 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 remain rare, and investors report general satisfaction with government cooperation and support.

9. Efficient Capital Markets and Portfolio Investment

Consistent with the GOB's liberal approach to foreign investment, government policies facilitate the free flow of financial resources. Foreigners 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.

Money and Banking System, Hostile Takeovers

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 28 retail banks, 75 wholesale banks, and 9 representative offices; 28 of these banks are Islamic banks.

10. Competition from State-Owned Enterprises

Bahrain’s major SOEs are the Bahrain Petroleum Company (BAPCO), Aluminum Bahrain (ALBA), the Gulf Petrochemicals Industries Company (GPIC), Gulf Air, Bahrain Telecommunications Company (BATELCO), the National Bank of Bahrain (NBB) and the Arab Shipbuilding & Repair Yard (ASRY). While the government controls oil production, refineries, and heavy industries, it allows investment in BAPCO, BATELCO, and ASRY, and encourages private sector competition in the banking, telecommunications, shipyard repair, and real estate sectors.

OECD Guidelines on Corporate Governance of SOEs

In 2002 the government instituted guidelines to ensure SOEs were in line with OECD policies on corporate governance. SOEs produce quarterly reports and are divided into two categories. Oil production, refineries, and petrochemical companies fall under the National Oil & Gas Authority (NOGA Holding), while the banking, telecommunications, shipyard, and real estate companies fall under Mumtalakat, Bahrain’s sovereign wealth fund. The National Audit Bureau monitors all SOEs and annually reports any irregularities, mismanagement, and corruption.
Sovereign Wealth Funds

The Kingdom of Bahrain established Mumtalakat, its sovereign wealth fund, in 2006. Mumtalakat conducts its business transparently, including by issuing an annual report online. The issuance of the annual report follows international financial reporting standards; it has been audited by external, internationally-recognized auditing firms since its inception. By law, State Owned Enterprises under Mumtalakat are audited and monitored by the National Audit Bureau. In February 2015, Mumtalakat was ranked first by the Linaburg-Maduell Transparency Index, which specializes in ranking sovereign wealth funds.

Mumtalakat often acts more as an asset management bureau than a sovereign wealth fund, including by taking an active role in managing companies and assets. Most notably, Mumtalakat has been instrumental in helping Gulf Air, Bahrain’s flagship air carrier, restore its financial health.

11. Corporate Social Responsibility

Corporate Social Responsibility is a relatively new concept in the region. Bahrain does not have any laws or policies that regulate corporate social responsibility. Each parastatal has created its own strategy for addressing environmental and social issues. Some companies support a wide variety of initiatives, while other focus more on charity work.

OECD Guidelines for Multinational Enterprises

Information not available.

12. Political Violence

Historically, Bahrain has been an open, politically moderate, economically liberal Gulf state that enjoys close ties to the United States. Beginning in 2011 the country experienced a sustained period of unrest, including mass protests calling for political reform. Between February and October 2011, 72 persons, including police, died as a result. In response, the government launched a National Dialogue process, led by the Crown Prince, aimed at political reconciliation, which culminated with several recommended reforms being codified in the constitution. In the fall of 2011, the royally-appointed Bahrain Independent Commission of Inquiry (BICI) released a detailed report on its findings regarding the unrest and recommended reforms, many of which focused on the security sector. The government implemented many of the recommendations made by BICI and the National Dialogue process.

Periodic political unrest, much more localized, in outlying villages – and at significantly reduced levels – has continued since the events of 2011. Grievances have included housing shortages, unemployment, and allegations of sectarian discrimination. In some instances, extremists have used unrest to target security forces with improvised explosive devices, resulting in the deaths of five policemen in 2014.

In January 2014, the Crown Prince again launched political talks to pave the way for opposition participation in the parliamentary and municipal elections. The sides could not agree on a
political solution and the opposition boycotted the elections. Despite the boycott, elections were generally peaceful, and although violent groups attacked some candidates in an effort to intimidate them and voters from participating, the government reported slightly greater than 50 percent turnout among registered voters. The arrest in late December of a leading opposition figure, and the government’s ongoing legal case against a leading opposition group, has prolonged tensions. Violent clashes between police and demonstrators continue to occur on a somewhat regular basis, especially in villages in and around the capital. Demonstrators have not targeted Americans or Western expatriates. 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.

13. Corruption

The King and Crown Prince have advocated publicly in favor of reducing corruption and some Ministries have initiated clean-up efforts. The expatriate business community is cautiously optimistic about growing transparency in the government procurement process. A new law to thoroughly revamp government procurement procedures went into effect in January 2003. Bahrain signed and ratified the UN Anticorruption Convention in February 2005 and October 2010, respectively. Bahrain, however, is not a signatory to the OECD Convention on Combating Bribery.

According to U.S. firms, high-level influence is sometimes an obstacle to foreign direct investment and contracting, particularly in the contract-bidding process. Government tendering procedures are not always entirely transparent and contracts are not always awarded based solely on price and technical merit. Petty corruption, however, is relatively rare in Bahrain. The bureaucracy is sometimes inefficient but generally honest. Giving or accepting a bribe is illegal, although the relevant laws are rarely enforced. Officials have been dismissed for blatant corruption, but the grounds for dismissal are rarely tied to corruption.

In 2005 Bahrain established the National Audit Bureau. The Bureau publishes annual reports, which highlight fiscal irregularities within government ministries and entities. The reports enable legislators to exercise oversight and call for investigations of fiscal discrepancies in government accounts. In December 2013, the Crown Prince established an Investigation Committee to oversee the cases highlighted within the National Audit Bureau’s annual report. In February 2014, the Minister of State for Follow-up Affairs announced that seven cases had been transferred for public prosecution, of which one has been transferred to court. In March 2015, the Minister of State for Follow-up Affairs announced that, of the 346 recommendations made in the report, 66 were connected to misuse of funds, and 280 were connected to poorly administered procedures. The Minister announced five cases had been referred for public prosecution.

As a result of the 2011 National Dialogue process, the Ministry of Interior established an Anti-Corruption Directorate. In 2011 the Ministry of the Interior signed a Memorandum of Understanding with the United Nations Development Program to enhance the Anti-Corruption Directorate’s capabilities. In January 2014, the Crown Prince directed the Anti-Corruption Directorate in the Ministry of Interior to take a more active role in investigating allegations of corruption. Moreover, the Crown Prince urged the public to play a more active role in combating corruption by utilizing the established hotline to report instances of corruption.
UN Anticorruption Convention, OECD Convention on Combating Bribery

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

Resources to Report Corruption

Anti-Corruption Directorate Contact Information:

Confidential Hotline Number: Dial 992 (in Bahrain)
E-mail: hotline.acu@moipolice.bh

14. Bilateral Investment Agreements

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

As of April 2015, Bahrain had bilateral investment protection agreements in place with Algeria, Barbados, Belarus, Bulgaria, the Czech Republic, China, Cyprus, Egypt, Germany, Italy, Iran, Ireland, Jordan, Malaysia, Morocco, the Netherlands, the Philippines, Russia, Syria, Tajikistan, Thailand, the United Kingdom, and the United States.

Bahrain has economic and commercial cooperation agreements with Australia, Bangladesh, Barbados, Brunei, Belgium, Belarus, Brunei, China, the Czech Republic, Egypt, France, Germany, Greece, India, Iran, Iraq, Ireland, Italy, Jordan, Mexico, Malaysia, Morocco, the Netherlands, Russia, Ukraine, Singapore, South Korea, Syria, Tajikistan, Tunisia, Turkey, and the United Kingdom.

Bilateral Taxation Treaties

Bahrain has air transportation tax agreements with Belgium, China, France, Luxembourg, Italy, Germany, Greece, the Netherlands, Russia, Singapore, Syria, Tajikistan, Thailand, Turkey, Ukraine, the United Kingdom, the United States, and Yemen.

Bahrain has concluded double taxation agreements with Algeria, Belgium, Brunei, the Czech Republic, Egypt, Germany, France, Iran, Italy, India, Jordan, Lebanon, Luxembourg, Malaysia, Mexico, Morocco, Pakistan, the Philippines, Russia, Slovakia, Spain, Tajikistan, Thailand, Tunisia, Turkey, and the United Kingdom.

15. 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.
16. Labor

In its 2014 third quarter report, Bahrain's Labor Market Regulatory Authority (LMRA) estimated there were 676,845 people employed in Bahrain, of which 521,656 are foreigners, meaning 77 percent of the total workforce is foreign. According to the Central Informatics Organization, foreigners comprised approximately 52 percent of the total population in 2014. The government officially reports the unemployment rate at 3.7 percent; The International Labor Organization estimates unemployment to be 7.5 percent.

The government's primary initiative for combating unemployment is "Bahrainization," or the replacement of expatriate workers by national citizens. In 2008, under the initiative of the King, the Economic Development Board launched “Bahrain Economic Vision 2030,” a long-term plan to raise Bahraini standards 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. For more information please refer to: http://www.mofa.gov.bh/img/partners/Vision2030Englishlowresolution.pdf

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 August 2006 the King ratified the Labor Reforms Law, establishing two entities: the Labor Market Regulatory Authority (LMRA), and the capacity-building organization known as Tamkeen. The law imposed a monthly fee of BD10 (USD 26.60) on each expatriate employed by a company. The revenues collected under this program are earmarked to provide job training for Bahrainis. The LMRA fee was suspended after the unrest of 2011 and reinstated in September 2013 with a change in fee structure. Now companies pay BD 5 (USD 13.35) for the first five foreign workers and BD10 (USD 26.67) for every employee over that limit.

In August 2007 the Labor Minister 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 September 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 October 2011, the King issued a Decree by Law that changed Bahrain’s labor law as it pertained to trade unions and federations. Union leaders heavily criticized the new law for some of its provisions that they claimed inhibited freedom of association. Ratified in 2012, the law prohibits multi-sectoral labor federations and prohibits individuals convicted of felonies from holding union leadership posts. While the law also allowed for the formation of multiple trade union federations, it gave the Minister of Labor the sole right to select the
federation to represent the country’s workers in international fora and in national-level bargaining.

In September 2010, the U.S. Department of Labor (DOL) and the Bahrain Ministry of Labor (MOL) convened the first meeting of the U.S.-Bahrain Sub-Committee on Labor Affairs, as established under the U.S.-Bahrain FTA, and 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 FTA. The 2011 Bahrain Independent Commission of Inquiry report concluded that the majority of dismissals were motivated by retaliation against employees who were suspected of being involved in the demonstrations. By the end of 2012, Bahraini employers had reinstated the vast majority of dismissed workers in the public and private sectors, and the Government to work on resolving the remaining cases. In March 2014, the Minister of Labor, 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 over the dismissals. 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.

17. Foreign Trade Zones/Free Ports/Trade Facilitation

Khalifa bin Salman Port, Bahrain's major seaport provides a free transit zone to facilitate the duty-free import of equipment and machinery. The Kingdom of Bahrain developed two main industrial zones, one to the north of Sitra and the other in Hidd. The Hidd location has a logistic zone. Foreign-owned firms have the same investment opportunities in these zones as Bahraini companies.

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 and Commerce.
## 18. Foreign Direct Investment and Foreign Portfolio Investment Statistics

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

<table>
<thead>
<tr>
<th>Economic Data</th>
<th>USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Host Country Gross Domestic Product (GDP) ($M USD)</strong></td>
<td><strong>USG or International Source of Data:</strong> BEA; IMF; Eurostat; UNCTAD, Other</td>
</tr>
<tr>
<td>Year</td>
<td>Amount</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Foreign Direct Investment</th>
<th>USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>U.S. FDI in partner country ($M USD, stock positions)</strong></td>
<td><strong>USG or International Source of Data:</strong> BEA; IMF; Eurostat; UNCTAD, Other</td>
</tr>
<tr>
<td>Year</td>
<td>Amount</td>
</tr>
<tr>
<td><strong>Host country’s FDI in the United States ($M USD, stock positions)</strong></td>
<td><strong>USG or International Source of Data:</strong> BEA; IMF; Eurostat; UNCTAD, Other</td>
</tr>
<tr>
<td>Year</td>
<td>Amount</td>
</tr>
<tr>
<td><strong>Total inbound stock of FDI as % host GDP</strong></td>
<td><strong>USG or International Source of Data:</strong> BEA; IMF; Eurostat; UNCTAD, Other</td>
</tr>
<tr>
<td>Year</td>
<td>Amount</td>
</tr>
<tr>
<td>2013</td>
<td>N/A</td>
</tr>
</tbody>
</table>
**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)**

<table>
<thead>
<tr>
<th>Inward Direct Investment</th>
<th></th>
<th>Outward Direct Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Inward</strong></td>
<td>24,727</td>
<td>100%</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>13,240</td>
<td>54%</td>
</tr>
<tr>
<td>Kuwait</td>
<td>5,386</td>
<td>22%</td>
</tr>
<tr>
<td>Libya</td>
<td>2,833</td>
<td>11%</td>
</tr>
<tr>
<td>India</td>
<td>1,135</td>
<td>5%</td>
</tr>
<tr>
<td>UAE</td>
<td>1,095</td>
<td>4%</td>
</tr>
</tbody>
</table>

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

Source: IMF Coordinated Direct Investment Survey

**Table 4: Sources of Portfolio Investment**

**Portfolio Investment Assets**

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

<table>
<thead>
<tr>
<th>Total</th>
<th>Equity Securities</th>
<th>Total Debt Securities</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Countries</td>
<td>35,247</td>
<td>100%</td>
</tr>
<tr>
<td>United States</td>
<td>7,251</td>
<td>21%</td>
</tr>
<tr>
<td>Turkey</td>
<td>6,565</td>
<td>19%</td>
</tr>
<tr>
<td>UAE</td>
<td>4,088</td>
<td>12%</td>
</tr>
<tr>
<td>Qatar</td>
<td>2,770</td>
<td>8%</td>
</tr>
<tr>
<td>UK</td>
<td>1,450</td>
<td>4%</td>
</tr>
</tbody>
</table>

Source: IMF Coordinated Portfolio Investment Survey

19. Contact for More Information

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