

Bahrain

RISK & COMPLIANCE REPORT

DATE: January 2017

KNOWYOURCOUNTRY

Executive Summary - Bahrain	
Sanctions:	None
FATF list of AML Deficient Countries	No
Higher Risk Areas:	Not on EU White list equivalent jurisdictions Offshore Finance Centre
Medium Risk Areas:	Non - Compliance with FATF 40 + 9 Recommendations US Dept of State Money Laundering Assessment Corruption Index (Transparency International & W.G.I.) World Governance Indicators (Average Score) Failed States Index (Political Issues)(Average Score)
<p>Major Investment Areas:</p> <p>Agriculture - products: fruit, vegetables; poultry, dairy products; shrimp, fish</p> <p>Industries: petroleum processing and refining, aluminum smelting, iron pelletization, fertilizers, Islamic and offshore banking, insurance, ship repairing, tourism</p> <p>Exports - commodities: petroleum and petroleum products, aluminum, textiles</p> <p>Exports - partners: Saudi Arabia 3%, India 2.2%, UAE 2%, South Korea 1.9% (2012)</p> <p>Imports - commodities: crude oil, machinery, chemicals</p> <p>Imports - partners: Saudi Arabia 26.8%, US 9.7%, China 9.6%, Japan 6.4%, India 4.9%, France 4.7% (2012)</p>	
Investment Restrictions:	

The Government of Bahrain has a liberal approach to foreign investment and actively seeks to attract foreign investors and businesses.

The government has focused its efforts on the entry of new private firms, particularly in the information and communications technology, education and training services, tourism, financial services, business services, healthcare services and downstream industries.

Bahrain permits 100% 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.

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Section 1 - Background

In 1783, the Sunni Al-Khalifa family captured Bahrain from the Persians. In order to secure these holdings, it entered into a series of treaties with the UK during the 19th century that made Bahrain a British protectorate. The archipelago attained its independence in 1971. Facing declining oil reserves, Bahrain has turned to petroleum processing and refining and has become an international banking center. Bahrain's small size and central location among Persian Gulf countries require it to play a delicate balancing act in foreign affairs among its larger neighbours. The Sunni-led government has struggled to manage relations with its large Shia-majority population. In early 2011, amid Arab uprisings elsewhere in the region, the Bahraini Government confronted similar protests at home with police and military action. The aftermath led to modest reforms, though continued dissatisfaction by Bahraini oppositionists with the extent of the reforms, has led to a broader dialogue between government officials, political societies, and legislators.



Section 2 - Anti – Money Laundering / Terrorist Financing

FATF status

Bahrain is not currently on the FATF List of Countries that have been identified as having strategic AML deficiencies

Compliance with FATF Recommendations

The last Mutual Evaluation Report relating to the implementation of anti-money laundering and counter-terrorist financing standards in Bahrain was undertaken by the Financial Action Task Force (FATF) in 2007. According to that Evaluation, Bahrain was deemed Compliant for 7 and Largely Compliant for 16 of the FATF 40 + 9 Recommendations. It was Partially Compliant or Non-Compliant for all 5 of the 6 Core Recommendations.

Key Findings from latest Mutual Evaluation Report (2007):

Money Laundering is criminalized by Article 2.1 of the Decree Law 4/2001 with Respect to the Prevention and Prohibition of the Laundering of Money (“DL 4/2001”). The offence of money laundering extends to any type of property and applies to persons who commit the predicate offence: accordingly, self laundering is an offence. However it is not necessary that a person be convicted of a predicate offence in order to be convicted of a money laundering offence. The intentional element of the money laundering crime may be inferred from objective factual circumstances. Money laundering may also be ascribed to corporate bodies. Corporate bodies may be fined up to BD 1 million (USD 2.65 million). Corporate criminal liability for offenses does not limit civil or administrative liability. Financial institutions may also be separately sanctioned by The Bahrain Monetary Agency (BMA) and the Ministry of Industry and Commerce (MOIC). Natural persons may face a term of imprisonment up to 7 years as well as a BD 1 million fine (USD 2.65 million).

While DNFBCs are guided by legislation and implementing regulations, the financial sector is subject to a wider array of legal instruments. Legislation does provide a common framework in the financial sector, but implementing that legislation may be traditional regulations, circulars, or rulebooks. Despite the different names, the Bahraini authorities believe that all three have the force of regulation. However, in this context, it is important to note that the assessment identified an issue vis-à-vis the BMA’s legal ability to issue the circulars and rulebooks and their ability to be enforced (if challenged) as a regulation.

The financing of terrorism is not currently a criminal offense in Bahrain. A draft law amending the provisions of DL 4/2001 is now in parliamentary committee. If passed, the amendments would create an offence of terrorist financing in Article 3.1 of the amended DL 4/2001. As the amendments currently read, the terrorist financing offence would not be fully compliant with international standards as it does not criminalize providing funds to a terrorist or terrorist

organization and only criminalizes terrorist financing when the terrorist act, for which funds were provided, actually takes place. The assessment team provided recommendations to address these deficiencies and also recommended that the offence be drafted in the common law style in order to mirror the drafting of the money laundering offence in the same law. If this is not done DL 4/2001 (soon to be the AML/CFT Law 2001 (amended)) will have two styles of offenses and it may appear that the FT offence is not criminalized.

Under the provisions of DL 4/2001 it is possible to confiscate all property directly or indirectly derived from any criminal activity, as well as substitute assets and income yields. Alternatively all other property belonging to the convicted person, his spouse, or minor children is subject to confiscation up to the value equivalent to the laundered assets. Bona fide third parties can claim their rights before, during, and after the court proceedings. Ex parte seizure is provided for in DL 4/2001 and in the 2002 Code of Criminal Procedure (CPC) during the judicial procedure under the Public Prosecutor.

In the absence of a specific terrorist financing offence, both as a stand alone offence or as a predicate to money laundering, confiscation on these grounds is not possible. There is, however, the indirect exception in some cases on the basis of aiding and abetting offenses that occur in a terrorist context.

The Anti-Money Laundering Unit (AMLU) performs the typical FIU functions of receiving and processing the disclosures of suspected money laundering and related crimes forwarded by the entities subject to the reporting obligations of DL 4/2001. It also de facto receives and processes suspected terrorist related disclosures even though the financing of terrorism is not yet an offence in Bahrain. As a police-type FIU, the AMLU carries out its own investigations, has access to the appropriate information to perform its functions, and executes money laundering related court orders. It can query additional information directly from the disclosing entity, but has to address the court to obtain information and documents from other persons or entities. It can seize suspect assets upon receipt of a court order, but in urgent cases it can do so on its own authority for a maximum period of 3 days (see above).

The AMLU does not have a high profile with all reporting entities, especially DNFBPs. This might be related to the fact that reporting entities are also required to submit STRs to their primary regulator, with whom they inevitable have a closer working relationship. The mission recommended that the AMLU take steps to raise awareness about its role and functions and to issue further guidance on the filing of STRs.

The Public Prosecutor's Office is headed by a Prosecutor General, assisted by a Senior Advocate General, and is in charge of the (judicial) investigation and prosecution of offenses and as such it receives, investigates, and prosecutes cases forwarded by the AMLU. Furthermore the Public Prosecutor's Office supports the AMLU investigation whenever coercive measures are required, supplies legal advice to the police and supervises telephone tapping. The office also plays an important role in mutual legal assistance and extradition.

Bahrain was deemed a Jurisdiction of Concern by the US Department of State 2016 International Narcotics Control Strategy Report (INCSR).

Key Findings from the report are as follows: -

Perceived Risks:

Bahrain is a leading financial center in the Gulf region. Bahrain has a primarily service-based economy, with the financial sector providing roughly 18 percent of GDP. It hosts a diverse group of financial institutions, including 113 licensed banks, 19 money changers, and several other investment institutions, including 151 insurance organizations. The greatest risk of money laundering stems from illicit proceeds of foreign origin that transit the country. Bahrain's vast banking network, along with its status as a transit point along the Gulf and into Southwest Asia, may attract money laundering activities. Bahrain does not have a significant black market for smuggled goods or known linkages to drug trafficking.

Khalifa bin Salman Port, Bahrain's major port, provides a free transit zone to facilitate the duty free import of equipment and machinery. Another free zone is located in the North Sitra Industrial Estate. Raw materials intended for processing in Bahrain and machinery imported by Bahraini-owned firms are also exempt from duty; the imported goods may be stored duty-free. These free zones are not a significant source for money laundering or terrorism financing.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES
KYC covered entities: Banks, investment houses, insurance firms, money exchangers, securities brokers and dealers, real estate brokers, gold dealers, financial intermediaries, and attorneys

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 1,044 in 2015
Number of CTRs received and time frame: Not applicable
STR covered entities: Banks, investment houses, insurance firms, money exchangers, securities brokers and dealers, real estate brokers, gold dealers, car dealers, financial intermediaries, attorneys, auction houses, and galleries

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 3 in 2015

Convictions: 0 in 2015

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO Other mechanism: YES

With other governments/jurisdictions: YES

Bahrain is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a FATF-style regional body.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Awareness within the capital markets and designated non-financial businesses and professions (DNFBPs) regarding suspicious transaction reporting (STR) obligations is inconsistent. According to authorities, the informal and non-bank financial sectors are regulated and investigated. The Government of Bahrain is trying to increase its capacity to investigate irregularities among exchange houses. There is little awareness of trade-based money laundering.

There was a 20 percent increase in STRs filed in 2015 compared to 2014, according to the Interior Ministry's Financial Intelligence Directorate's annual report.

The Government of Bahrain strives to be a leader in the region on matters involving terrorist financing.

The Government of Bahrain passed legislation in 2013 to criminalize 14 major offenses per the international standards. However, the Government of Bahrain acknowledges that a lack of specialized prosecutors and judges makes convictions a challenge. Tipping off is not prohibited and should be criminalized.

Current Weaknesses in Government Legislation (2013 INCRS Comparative Tables):

According to the US State Department, Bahrain does not conform with regard to the following government legislation: -

Criminalised Tipping Off - By law, disclosure of the reporting of suspicious or unusual activity to an individual who is the subject of such a report, or to a third party, is a criminal offense.

EU White list of Equivalent Jurisdictions

Bahrain is not currently on the EU White list of Equivalent Jurisdictions

World Governance indicators

[To view historic Governance Indicators Ctrl + Click here and then select country](#)

Failed States Index

[To view Failed States Index Ctrl + Click here](#)

Offshore Financial Centre

Bahrain is considered to be an Offshore Financial Centre

Trafficking in Persons

Bahrain is classified a Tier 2 (watch list) country - a country whose governments does not fully comply with the Trafficking Victims Protection Act's minimum standards, but are making significant efforts to bring themselves into compliance with those standards

Bahrain is a destination country for men and women subjected to forced labor and sex trafficking. Men and women from India, Pakistan, Nepal, Sri Lanka, Bangladesh, Indonesia, Thailand, the Philippines, Ethiopia, Ghana, Kenya, Eritrea, Uzbekistan, and other countries migrate voluntarily to Bahrain to work as domestic workers or as unskilled laborers in the construction and service industries. In 2013, NGOs observed a greater influx of workers from Ethiopia. Some migrant workers face forced labor after arriving in Bahrain, experiencing unlawful withholding of passports, restrictions on movement, contract substitution, nonpayment of wages, threats, and physical or sexual abuse. NGOs report that Bangladeshi unskilled workers—especially men—are in particularly high demand in Bahrain and are considered to be exploitable since they do not typically protest difficult work conditions or low pay, nor is there a well-established Bangladeshi expatriate community to which workers can seek support and information about their rights. Domestic workers are also considered to be highly vulnerable to forced labor and sexual exploitation because they are largely unprotected under the labor law and are not required to register with the Bahrain government's Labor Market Regulatory Authority (LMRA). Government and NGO officials report that the physical abuse and sexual assault of female domestic workers are significant problems in Bahrain; strict confinement to the household, withholding of workers' identity cards and passports, and intimidation by employers prevent these workers from reporting abuse and restrict authorities from investigating such abuses.

Forced labor, debt bondage, and isolation have led to a high incidence of suicide among migrant workers in Bahrain; workers who committed suicide reportedly lost their jobs or had their salaries and passports withheld by employers or sponsors. In 2012, 40 suicides were reported among migrant workers in Bahrain, especially those from India; 25 suicides were reported among migrant workers in 2013. A 2011 study by the LMRA found that 65 percent of migrant workers had not seen their employment contract and that 89 percent were unaware of their terms of employment upon arrival in Bahrain. The LMRA study found that 70 percent of foreign workers borrowed money or sold property in their home countries in order to secure a job in Bahrain. Many labor recruitment agencies in Bahrain and source countries require workers to pay high recruitment fees—a practice that makes workers highly vulnerable to debt bondage in Bahrain. Some Bahraini employers illegally charge workers exorbitant fees to remain in Bahrain working for third-party employers (under the illegal "free visa" arrangement). In previous years, the LMRA estimated that approximately 20,000 migrant workers were in Bahrain under "free visa" arrangements under which employers apply for work visas for nonexistent jobs and then illegally sell them to migrant workers—a practice that can contribute to debt bondage—and approximately 52,000 others are working on expired or terminated visas. Women from Thailand, the Philippines, China, Vietnam, Morocco, Jordan, Syria, Lebanon, Russia, Ukraine, and other Eastern European states are subjected to forced prostitution in Bahrain.

The Government of Bahrain does not fully comply with the minimum standards for the elimination of trafficking; however, it is making significant efforts to do so. The government has not shown evidence of increasing efforts to address human trafficking compared to the previous year; therefore, Bahrain is placed on Tier 2 Watch List for a third consecutive year. The Government of Bahrain was granted a waiver from an otherwise required downgrade to Tier 3 because the government has a written plan that, if implemented, would constitute making significant efforts to bring itself into compliance with the minimum standards for the elimination of trafficking and it has committed to devoting sufficient resources to implement that plan. The government investigated, prosecuted, and convicted an increased number of trafficking offenders in 2013, in comparison to the previous reporting period; the number of investigations, half of which were forced labor cases, was higher than the previous reporting period. The government also continued to identify and refer victims to protection services, including government-run shelters. The government continued to implement awareness campaigns. Nonetheless, the government failed to prosecute or convict any forced labor offenders and frequently treated potential cases of forced labor as labor violations instead of treating them as serious crimes. Furthermore, potential trafficking victims—particularly domestic workers who ran away from abusive employers—continued to be arrested, detained, and deported for crimes committed as a direct result of being subjected to human trafficking. The government also did not finalize a formal trafficking victim identification procedure or guidelines for officials to refer suspected trafficking victims to protection services.

Terrorist Financing 2015:

Overview: During 2015, the Bahraini government continued to make gains in detecting, neutralizing, and containing terrorist threats from violent Shia militant groups and Islamic State of Iraq and the Levant (ISIL) sympathizers. Those groups' use of real and fake IEDs remained a key threat to security services, resulting in the death of three police officers. The government also began to implement new counterterrorism laws the legislature approved in 2014, including revoking the citizenship of suspected and convicted terrorists. By year's end, the Bahraini government had interdicted several smuggling operations and seized sizeable caches of military-grade explosives, shaped charges, and sophisticated detonators. These raids ensnared several militant cells and significantly eroded militant attacks on police.

The Bahraini government supported the international Global Coalition to Counter ISIL and in December joined the Saudi-led 34-country Islamic counterterrorism alliance. The Bahraini government often did not publicize details about the arrests or convictions of Sunni terrorists, complicating efforts to track its progress against the domestic ISIL threat. Nevertheless, Bahraini leaders publicly condemned ISIL's worldwide activities, ideology, and recruitment, while the government worked to detect, counter, and discourage domestic ISIL recruitment and extremist messaging. In October, the government announced it had charged 24 individuals – seven of whom were in detention and the rest of whom remained at large in Iraq and Syria – with forming an ISIL cell that plotted suicide attacks in Bahrain and recruited fighters for the organization. In December, however, the Public Prosecutor released four of the detained suspects for lack of evidence. Security services also arrested another Sunni man

and charged him with purchasing arms for the terrorist group. On several occasions in 2015, ISIL-affiliated social media accounts claimed the group would carry out attacks in Bahrain, but these failed to materialize. Bahrain participated in Global Coalition to Counter ISIL Political Directors meetings in Amman, Quebec, and Brussels; and the Minister of Foreign Affairs participated in the June 2 Coalition Group Ministerial Meeting in Paris.

2015 Terrorist Incidents: Bahrain continued to experience periodic bomb attacks from Shia militants throughout the year with targeting focused exclusively on Bahraini security forces. In previous years, the attacks mostly involved homemade devices, but in 2015 the militants began to use military-grade explosive materials, such as C-4 and RDX.

- On March 19, a bomb injured two policemen in the predominantly Shia village of Karranah.
- On July 15, the Ministry of Interior (MOI) reported a man accidentally blew himself up when attempting to plant a bomb that targeted police in the Shia village of Eker.
- On July 28, a bomb killed two policemen and injured six policemen outside a girls' school on the Shia majority island of Sitra.
- On August 28, a blast killed one policeman in Karranah and seven civilians were injured in collateral damage.
- On September 10, a bomb targeted a police station in the town of Bilad Al-Qadim but caused no casualties.

Suspected Shia militants targeted security services with Molotov cocktails and other homemade devices throughout 2015 and other blasts occurred with fewer or no casualties.

Legislation, Law Enforcement, and Border Security: Throughout 2015, Bahrain moved to bolster existing counterterrorism laws and criminal penalties. In March, the Shura Council – Bahrain's appointed, upper legislative chamber – approved a draft law increasing sentences for those who "promote or glorify" terrorists acts to 10 years and/or a fine of US \$13,350, which the Cabinet approved in September and referred to the elected lower house. In December, the Council of Representatives – Bahrain's elected, lower chamber – approved a royal decree amending provisions of the 2006 terrorism law, allowing security forces to detain suspects for longer periods of time without charging them, and to take other measures, such as shutting off electricity in a given city block where a suspected terrorist incident occurred, when searching for suspects. Terrorism-related acts, a broadly-defined category, are treated as criminal cases, with prescribed penalties spelled out in the Anti-Terrorism Law of 2006 and Articles 155 and 168 of the Penal Code. While many of the terrorism cases in 2015 involved criminals who engaged in violent acts against security services, there were concerns that the government sometimes used counterterrorism laws – specifically citizenship revocations – to prosecute or harass individuals for their criticism of the government.

Throughout 2015, security services were able to detect, deter, and respond to terrorist incidents. The MOI is the lead government agency charged with detecting and preventing acts of terrorism and arresting suspects in terrorist-related acts, with the Bahrain National Security Agency providing intelligence support. The Bahraini Coast Guard also contributes to the counterterrorism mission by monitoring and interdicting the seaborne movement of

weapons and terrorists into and out of the country. The major deterrents to more effective law enforcement and border security remain the lack of interagency coordination and limited training opportunities to develop requisite law enforcement skills.

Bahrain has participated in the Department of State's Antiterrorism Assistance (ATA) program since 1987. One Combatting Domestic and Transnational Terrorism ATA course took place in 2015 that graduated approximately 20 officers.

Bahrain's ability to detect transnational plots remains limited due to capacity, detection, and information-sharing deficiencies. Every year, millions of Gulf Cooperation Council (GCC) nationals transit the King Fahad Causeway connecting Bahrain to Saudi Arabia with relatively little screening. The Saudi citizen who killed 27 worshippers in a Kuwaiti mosque in June transited Bahrain via the airport, highlighting the country's vulnerability to threats from violent extremists residing in neighboring countries.

Security forces reported they thwarted several plots through arrests and the discovery of at least two large weapons caches. In March, police and customs officials intercepted a bus containing bomb-making materials attempting to enter Bahrain from Saudi Arabia across the King Fahad Causeway. In June, the government uncovered a warehouse in the Dar Kulaib village containing explosives and bomb-making materials. In September, security forces discovered a facility that contained bomb-making equipment and 1.4 tons of explosives. In November, the Bahraini government announced it had conducted a major counterterrorism operation resulting in the arrest of 47 individuals, the confiscation of bomb-making materials, and the disruption of several terrorist plots.

In 2015, Bahrain initiated dozens of cases for terrorism-related crimes and secured 11 convictions. Sentences varied but included the death penalty and revocation of citizenship for those accused of more serious crimes. However, the government has not carried out an execution of a foreign national since 2010 and has not executed a Bahraini national since 1996. In January, the government cited the 2006 terrorism law when it revoked the citizenship of 72 citizens, many of whom were out of the country at the time. In March, the High Criminal Court sentenced three Bahrainis to death and seven others to life in prison while revoking the citizenship of eight of them for a 2014 bombing that killed three policemen. In April, the same court sentenced a man to death and gave varying sentences to 11 others, ranging from 10 years to life for another 2014 bombing that killed a policeman. In June, a court sentenced two men who previously had their citizenships revoked to life in prison for terrorism-related charges. In November, a lower court convicted five Bahrainis of plotting terrorist attacks, revoked their citizenship, and sentenced them to life in prison. Also in November, a court sentenced 12 Bahrainis to life in prison and revoked their citizenships for terrorist acts and targeting police. Various other suspects received sentences ranging from a few years to life in prison for other planned or executed attacks against the security services.

Countering the Financing of Terrorism: Bahrain is a member of the Middle East and North Africa Financial Action Task Force, a Financial Action Task Force (FATF)-style regional body. Its financial intelligence unit, the Anti-Money Laundering Unit, is a member of the Egmont Group. Bahrain is an important regional financial hub, which makes it vulnerable to large amounts of money flowing through the Gulf region to support various terrorist groups. In 2015, Bahrain organized or participated in several meetings focused on disrupting the financial support systems for terrorist entities. The government sent a delegation with representatives

from the Ministries of Foreign Affairs, Finance, and Interior to the three initial meetings for the Counter-ISIL Finance Group in Rome, Jeddah, and Washington, DC. In April, Bahrain hosted the 8th EU-GCC Workshop on Combatting Terrorist Financing. In November, Bahrain hosted the "Good Giving Conference," a workshop focused on combating the financing of terrorism through preventing abuse of the charitable sector. The program focused on international good practices used to ensure charitable donations are not used or diverted for nefarious purposes.

Throughout 2015, the Central Bank of Bahrain (CBB) continued its efforts to upgrade the country's AML/CFT regulatory framework via an entity known as the Policy Committee, which formulates AML/CFT policies and is in charge of implementing FATF recommendations. The CBB periodically reviewed financial institutions' licenses to ensure compliance with CBB regulations. In April, the CBB took organizational control of the Iran Future Bank, which the U.S. government had previously sanctioned for aiding in Iran's nuclear proliferation and missile acquisition activities, and the Iran Insurance Company in order to "protect the rights of depositors," but declined to provide further details. In August, the government detained former opposition parliamentarian Hassan Isa on terrorism finance-related charges, although opposition groups and activists complained the detention was politically motivated.

The Ministry of Labor and Social Development's (MOLSD) Directorate of Civil Societies monitors and administers civil society and NGOs, including charitable institutions that could be used to finance terrorists or terrorist groups. When a group petitions the MOLSD to form a new civil society group, the Ministry's Financial and Legal Departments scrutinize the potential new group's finances in coordination with the CBB and MOI. The CBB also works with the MOLSD to prepare a report regarding the groups' internal and external fund transactions. The Directorate of Civil Societies submit an annual financial report issued by an accredited auditing firm, which is reviewed by the Ministry's Financial and Administrative departments, and is subject to inspection visits throughout the year by the MOLSD's Registration and Public Relations Departments.

Countering Violent Extremism: The Ministry of Justice and Islamic Affairs (MOJIA) heads Bahrain's efforts to counter radicalization to violence and violent extremism, in part by organizing regular workshops for clerics and speakers from both the Sunni and Shia sects. The MOJIA also undertakes an annual review of schools' Islamic Studies curricula to evaluate interpretations of religious texts.

International and Regional Cooperation: Bahrain worked closely and cooperatively with international, multilateral, and regional partners. It is a member of [the GCC](#) and participated in the August U.S.-GCC Counterterrorism and Border Security Working Group meeting in Riyadh. Since formally endorsing the Global Initiative to Combat Nuclear Terrorism in March 2008, Bahrain has proactively worked to expand air, sea, and causeway border control points, although its data collection and information-sharing capabilities remain limited.

Bahrain is not currently subject to any International Sanctions

Arab League

On November 28, 2011, the Arab League (comprising 22 Arab member states), of which this country is a member, has approved imposing sanctions on Syria. These include: -

- * Cutting off transactions with the Syrian central bank
- * Halting funding by Arab governments for projects in Syria
- * A ban on senior Syrian officials travelling to other Arab countries
- * A freeze on assets related to President Bashar al-Assad's government

The declaration also calls on Arab central banks to monitor transfers to Syria, with the exception of remittances from Syrians abroad.

The Arab League (comprising 22 Arab member states), of which this country is a member, has boycotted Israel in a systematic effort to isolate Israel economically in support of the Palestinians, however, the implementation of the boycott has varied over time among member states.

There are three tiers to the boycott. The primary boycott prohibits the importation of Israeli-origin goods and services into boycotting countries. The secondary boycott prohibits individuals, as well as private and public sector firms and organizations, in member countries from engaging in business with any entity that does business in Israel. The Arab League maintains a blacklist of such firms. The tertiary boycott prohibits any entity in a member country from doing business with a company or individual that has business dealings with U.S. or other firms on the Arab League blacklist.

Index	Rating (100-Good / 0-Bad)
Transparency International Corruption Index	43
World Governance Indicator – Control of Corruption	63

Corruption - US State Department:

According to U.S. firms, high-level corruption is sometimes an obstacle to foreign direct investment and contracting, particularly in the contract-bidding process and in operating notably successful investments. In the case of some high-value contracts, government-tendering procedures have not always been transparent and contracts have not always been decided on the basis of price and technical merit. Petty corruption is relatively rare in Bahrain. The bureaucracy is sometimes inefficient but it is generally honest. Giving or accepting a bribe is illegal, although the relevant laws are rarely enforced. Officials have been dismissed for blatant corruption, but it is never so stated officially; no one has been tried in court for corruption. The King and Crown Prince have come out publicly in favor of reducing corruption and some Ministries have initiated clean-up efforts to reduce the problem. The expatriate business community is cautiously optimistic that there is 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 is not a signatory to the OECD Convention on Combating Bribery.

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 investigation of fiscal discrepancies in government accounts. In December 2013, the Crown Prince established an Investigation Committee to oversee the cases highlighted in the National Audit Report. In February 2014, the Minister of State for Follow-Up in the Cabinet Affairs stated that seven cases were transferred to the Public Prosecution.

In September 2007 the Crown Prince publicly launched an official campaign against corruption. As a result, several executives in state-owned companies were removed from their positions. In April 2008, Bahraini government officials and executives of Aluminum Bahrain (ALBA) were accused of accepting bribes from the American firm Alcoa. In 2008, ALBA sued Alcoa, alleging that Alcoa conspired to overcharge ALBA by hundreds of millions of dollars. The lawsuit was closed in 2011 after the U.S. Justice Department and U.K.'s Serious Fraud Office announced they were investigating the matter. Alcoa's former CEO and a London-based middleman have been charged in the UK case. In December 2011, ALBA filed an amended racketeering lawsuit against Alcoa. In October 2012, Alcoa reached a settlement with ALBA. It did not admit liability, but agreed to pay the company USD 85

million. ALBA filed similar lawsuits against Japanese company Sojitz Group, accusing it of paying bribes to gain discounts on aluminum prices.

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.

Section 3 - Economy

Bahrain has made great efforts to diversify its economy; its highly developed communication and transport facilities make Bahrain home to numerous multinational firms with business in the Gulf. As part of its diversification plans, Bahrain implemented a Free Trade Agreement (FTA) with the US in August 2006, the first FTA between the US and a Gulf state. Bahrain's economy, however, continues to depend heavily on oil. In 2012, petroleum production and refining accounted for 77% of Bahrain's export receipts, 87% of government revenues, and 19% of GDP. Other major economic activities are production of aluminum - Bahrain's second biggest export after oil - finance, and construction. Bahrain competes with Malaysia as a worldwide center for Islamic banking and continues to seek new natural gas supplies as feedstock to support its expanding petrochemical and aluminum industries. In 2011 Bahrain experienced economic setbacks as a result of domestic unrest, however, the economy recovered in 2012-13, partly as a result of improved tourism. Some economic policies aimed at restoring confidence in Bahrain's economy, such as the suspension of an expatriate labor tax and frequent bailouts of Gulf Air, will make Bahrain's long-term economic challenges - youth unemployment and the growth of government debt - more difficult to address.

Agriculture - products:

fruit, vegetables; poultry, dairy products; shrimp, fish

Industries:

petroleum processing and refining, aluminum smelting, iron pelletization, fertilizers, Islamic and offshore banking, insurance, ship repairing, tourism

Exports - commodities:

petroleum and petroleum products, aluminum, textiles

Exports - partners:

Saudi Arabia 3%, India 2.2%, UAE 2%, South Korea 1.9% (2012)

Imports - commodities:

crude oil, machinery, chemicals

Imports - partners:

Saudi Arabia 26.8%, US 9.7%, China 9.6%, Japan 6.4%, India 4.9%, France 4.7% (2012)

Banking

Bahrain is a principal financial services hub in the Middle East. Legal, regulatory, and accounting systems in the financial sector (onshore and offshore) are transparent and

consistent with international norms. International financial institutions operate in Bahrain, both internationally and domestically, without impediments.

The Central Bank of Bahrain (CBB) regulates the banking sector under the provisions of the BMA law (Decree Law No. 23 of 1973). In May 2002, the Government of Bahrain announced that regulatory responsibility for the insurance sector and stock exchange would move to the CBB, formerly known as the Bahrain Monetary Authority (BMA.) This move was completed in late 2002.

The global financial crisis has limited the numbers of financial institutions registered by the CBB. The CBB's new policies and regulations are in line with Basel II. They created guidelines, workshops, and seminars to ensure that risk management and diversifying of investment portfolios are essential methods to overcome future financial turbulence. Many international banks are present in Bahrain.

In 2006, as part of an effort to maintain their position as a leading financial centre of the Middle East, the government of Bahrain implemented new regulations and licensing requirements to allow Offshore Banks (wholesale) to operate and invest locally. In the same year the government of Bahrain transformed the BMA to a Central Bank.

Stock Exchange

To enhance international and local investments, the Kingdom of Bahrain privatized the [Bahrain Stock Exchange](#) in January 2010; it was officially re-launched as Bahrain Bourse in January 2011. Regulatory responsibility for the stock exchange rests with The Central Bank of Bahrain.

Executive Summary

The investment climate in Bahrain is generally strong, 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 parastatal companies, the Government of Bahrain aims to foster a greater role for the private sector in economic growth. Government efforts focus on encouraging private firm entry in the information and communications technology (ICT), education and training services, tourism, financial services, business services, healthcare services and energy and aluminum downstream industries.

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, 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 very few exceptions. 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. Bahrain permits 100% 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 committed to enforce world-class Intellectual Property Rights (IPR) protection.

While Bahrain maintains a basic framework which provides for a transparent, rules-based government procurement system, U.S. companies sometimes reported operating at a disadvantage compared with other international firms in certain government procurements. 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. U.S. firms also reported high-level corruption is sometimes an obstacle to foreign direct investment, particularly in operating notably successful investments. Despite this, petty corruption is relatively rare in Bahrain. The bureaucracy is sometimes inefficient but it is generally honest. Giving or accepting a bribe is illegal, although the relevant laws are rarely enforced.

A period of political and civil unrest began in Bahrain on February 14, 2011. As of May 2014, demonstrations continue, occasionally developing into violent clashes by demonstrators against police. These violent clashes sometimes make travel in and around parts of Bahrain dangerous without advance warning. There are no indications that Westerners or U.S. citizens are being targeted directly, but isolated examples of anti-U.S. sentiment have been seen on the streets, including the burning of U.S. flags. The unrest has had a limited impact on American businesses in Bahrain.

1. Openness To, and Restrictions Upon, Foreign Investment

Bahrain offers several advantages to U.S. and other foreign investors. The Government of Bahrain has a liberal approach to foreign investment and actively seeks to attract foreign investors and businesses. The growth of foreign direct investment (FDI) is one of the

government's top priorities. A Bilateral Investment Treaty entered into force in May 2001 and a Free Trade Agreement in January 2006.

The World Bank's "Doing Business 2014" report ranks Bahrain at No. 46 out of 189 countries in the world for "ease of doing business" for foreign investors. The World Bank designated Bahrain as a high income country, with a total GNI per capita of USD 19,560. The 2014 Heritage Foundation Index of Economic Freedom ranked Bahrain 13 out of 183 countries, with a score of 75.1, or "mostly free." Bahrain ranked 57 on Transparency International's Corruption Perceptions Index in 2013, with a score of 78.

The government has focused its efforts on the entry of new private firms, particularly in the information and communications technology, education and training services, tourism, financial services, business services, healthcare services and downstream industries. Bahrain's Crown Prince is also an outspoken proponent of privatization in Bahrain, and became chairman of the Economic Development Board (EDB) in 2002 with a stated goal to provide a "one-stop-shop" for potential investors. The EDB works with Bahrain's ministries to implement the Kingdom's Economic Vision 2030 to reform education, labor, business practices, and training. The EDB coordinates closely with the Bahrain Development Bank (BDB) to support and assist small and medium business, and with Tamkeen, a capacity-building organization tasked with training the Bahraini workforce. Foreign-owned companies are eligible for partial financing from the state-owned BDB and Tamkeen if they meet certain criteria, such as providing training and employment to a significant number of Bahrainis.

In an economy largely dominated by parastatals (outside of the financial services sector), the Government of Bahrain seeks to foster a greater role for the private sector in economic growth. Following the creation of a Supreme Privatization Council in the spring of 2001, King Hamad bin Isa Al-Khalifa issued a decree on October 2002 laying out guidelines for privatizing tourism, telecommunications, transport, electricity and water, ports and airport services, oil and gas, stock exchange, and postal service sectors. In June 2006, the government formed the Bahrain Mumtalakat Holding Company to manage all of the government's investments. Mumtalakat has an official objective to reduce its shares in any company to less than 50%. Mumtalakat holds a 100% share in the following companies:

- Al-Awali Real Estate Company
- Bahrain Airport Company
- Bahrain Food Holding Co.
- Bahrain International Circuit
- Bahrain Real Estate Company (Edamah)
- Gulf Air
- Gulf Air Group Holding Company
- Hawar Island Development Company
- Tourism Projects Company

- @ Bahrain

Mumtalakat reduced its share of Aluminum Bahrain (ALBA) to 59%, following an IPO in November of 2010; all of its other holdings are below a 50% share.

The telecommunications sector is regulated by the Telecommunications Regulatory Authority (TRA). The sector was liberalized in July 2004 when licenses were granted for paging services, very small aperture terminal (VSAT), public access mobile radio services, international telecommunication facilities, international telecommunication services, national fixed services, internet service providers (ISP), and value added services. According to the December 2013 TRA Market Indicator Report, there are 21 telecommunication companies operating in Bahrain. The TRA monitors 64 operating licenses in the Kingdom. There are 10 active operators for national fixed lines, 14 international calls licenses, 13 internet service providers, and 17 leased lines. There are more than 2.08 million mobile lines operating in the Kingdom of Bahrain, with a market penetration of 159%, and there are 418,000 internet subscribers with a market penetration of 38%. Due to the small and highly saturated market, the TRA is cautious in granting licenses for new telecommunications providers. Under the 2002 Telecommunications Law, mobile provider Zain International relocated their headquarters from Kuwait to Bahrain. In January 2009, the TRA awarded a third mobile telecom license to Saudi Telecom Company (STC) under the local brand name Viva. The telecommunications sector generates annual revenue of USD 1.21 billion and contributes 4.5% to the total GDP.

The public transportation service was privatized in 2003. CARS, a Bahraini-UAE joint venture launched in May 2003, now operates 87 buses. In December 2012, the Minister of Transportation announced that the government will launch a tender for a new transportation company in mid-June 2014. CARS announced that it will not enter a new tender; however it will continue to operate until 2014. The government's total investment in the public transportation privatization project has reached approximately USD 21 million.

Since 2006 the Government of Bahrain privatized power production in the Kingdom by awarding tenders to construct new power stations, such as Al Ezzel in Al Hidd, and by selling the largest power station in the country, Al Hidd Power Station. In September 2009, the Higher Commission of Electricity awarded a USD 240 million contract to General Electric to purchase new gas turbines as part of a plan to expand the existing Al Dur Power Plant. Solar energy interests expanded, as well, and in May 2012 the Government of Bahrain and U.S.-based Petra Solar entered into an agreement for the installation of solar-powered modules into Bahrain's current power grid.

In April 2013, the Government of Bahrain announced it reached a deal with Petra Solar for USD 25 million. The company will be in charge of producing 5 MW. The energy production will take place in Awali area, and already 21 thousand solar plates were delivered to the Kingdom of Bahrain. Moreover University of Bahrain also designated a location for solar production of 500 KW.

Construction and housing continue to play a key role in Bahrain's development. In 2011, the Ministry of Housing awarded a USD 57 million contract to American dredging company Great Lakes Dredge and Dock Co. for a land reclamation project. The land will be used for one of several housing projects approved throughout Bahrain. In response to the 2011 period of unrest in Bahrain and Oman, the remaining 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. Funding will be directed towards infrastructure projects; housing; schools construction; social and youth programs; and healthcare. The initial announcement of the program indicated that both Bahrain and Oman would receive USD 1 billion each year over the next 10 years. In November 2013, Kuwait committed to provide USD 2.5 billion under the GCC Development Program. The Kingdom of Saudi Arabia committed to USD 1.8 billion mainly for infrastructure and housing projects in December 2013. In September 2013, UAE announced it will fund projects in the Kingdom of Bahrain worth USD 500 million mainly in electrical development, water distillation, housing, and construction of new schools and clinics.

In 2012, the General Organization of Ports, which was founded in 2008 to manage all port activities, was incorporated into the Ministry of Transportation, and is now known as Port and Maritime Affairs (PMA). In 2006, Denmark's APM Terminals was awarded a contract to manage Mina Salman and Khalifa bin Salman (KBSP) ports. KBSP officially started operating in November 2009 and is still managed by APM. Mina Salman is now managed by PMA.

The Central Bank of Bahrain (CBB) changed its licensing practices and loosened ownership restrictions in 2006 to give banks greater opportunities to invest domestically and regionally. Insurance firms, which were previously required to have at least 51% Bahraini-ownership, are now permitted to operate with 100% foreign-ownership. The CBB is holding consultations on further reform in areas such as captive insurance, solvency, business conduct, risk management and financial crime, enforcement, public disclosure, intermediaries, and Islamic insurance. Taxation and import laws apply equally to Bahraini and foreign-owned companies, and foreign investors must comply with the same requirements and legislation as local firms. The CBB has been active in developing regulations for the Islamic banking sector, and has been instrumental in making Bahrain a recognized center of Islamic banking. In January 2014, the CBB announced that the banking sector is sound and stable, and encouraged commercial banks to provide financing to stimulate the economy, particularly for small and medium enterprises. After urging by the CBB, Islamic banks have begun merging to create stronger entities, enhance competitiveness and allow the sector to overcome the financial crisis.

In January 2011, the Bahrain Stock Exchange (BSE) was transformed to a closed shareholding company. The newly-branded Bahrain Bourse is wholly owned by the GOB and regulated by the CBB. The Bahrain Bourse plans to increase its number of listed companies, boost share turnover, and attract new domestic and foreign investors. The Bahrain Bourse allows GCC firms and GCC citizens to own up to 100% of listed Bahraini companies. Non-GCC firms or citizens may own up to 49% of listed Bahraini companies and 100% of foreign companies.

Bahrain 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 a pharmacy licensed by the Ministry of Commerce after receiving approval from the Ministry of Health. Bahrain prohibits the importation of weapons (except under special license), pornography, wild animals, radio-controlled model airplanes, foodstuffs containing cyclamates, children's toys containing methyl chloride, and other articles declared harmful by the Ministry of Health.

Bahrain has phased out most subsidies for export industries, but permits duty-free importation of raw materials for export products and of equipment and machinery for newly-established export industries. All industries in Bahrain, including foreign-owned firms, benefit from government subsidized utilities.

A period of political and civil unrest began in Bahrain on February 14, 2011. As of May 2014, demonstrations continue, occasionally developing into violent clashes by demonstrators against security forces (see Political Violence, below). These violent clashes sometimes make travel in and around parts of Bahrain dangerous without advance warning. There are no indications that Westerners or U.S. citizens are being targeted directly, but isolated examples of anti-U.S. sentiment have been seen on the streets, including the burning of U.S. flags. The unrest has had a limited impact on American businesses in Bahrain. In early 2011, some foreign companies temporarily evacuated their employees and dependents to neighboring countries. Many of those employees and dependents returned to Bahrain by the end of 2011. In 2012, all travelers to Bahrain faced increased scrutiny from Bahraini authorities, and the Government of Bahrain refused to allow some U.S. citizens permission to enter Bahrain. In February 2012 the Government of Bahrain announced it would grant visas upon arrival. Alternatively, travelers can also submit an e-visa application before traveling to the Kingdom of Bahrain.

The use of official travel bans -- prohibiting an individual from leaving the country until a business or legal dispute is resolved -- is a cause for concern. In 2013, the Embassy received several reports of travel bans imposed on Americans and other foreign citizens over business disputes. Under current law, any party can request a travel ban on another by filing a request in court and paying a nominal fee. It can take months or years to get a ban lifted.

TABLE 1: The following chart summarizes several well-regarded indices and rankings.

Measure	Year	Rank or value	Website Address
TI Corruption Perceptions index	2013	(57 of 177)	http://cpi.transparency.org/cpi2013/results/
Heritage Foundation's Economic Freedom index	2013	(13 of 183)	http://www.heritage.org/index/ranking
World Bank's Doing Business Report "Ease	2013	(46 of 189)	http://doingbusiness.org/rankings

of Doing Business"			
Global Innovation Index	2013	(67 of 142)	http://www.globalinnovationindex.org/content.aspx?page=gii-full-report-2013#pdfopener
World Bank GNI per capita	2012	USD 19,560	http://data.worldbank.org/indicator/NY.GNP.PCAP.CD

2. Conversion and Transfer 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.

The State Department's Bureau of International Narcotics and Law Enforcement categorizes Bahrain as a "country of concern" in its 2013 International Narcotics and Control Strategy Report (INSCR). <http://www.state.gov/j/inl/rls/nrcrpt/2013/database/index.htm>

3. Expropriation and Compensation

There have been no expropriations in recent years, and no cases in contention. The U.S.-Bahrain Bilateral Investment Treaty (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.

4. Dispute Settlement

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 allowed the establishment of International Law Firms that provide services such as commercial and financial consultancy in legal matters.

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.

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 of any new arbitration related matters. The Center's contact details are:

- GCC Commercial Arbitration Center
- P.O. Box 2338
- Manama, Kingdom of Bahrain

- Tel: + (973) 17-214-800
- Fax: + (973) 17-214-500
- Email: arbit395@batelco.com.bh

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. The BCDR's contact details are:

- Bahrain Chamber for Dispute Resolution
- Suite 401, Park Plaza
- Bldg 247, Road 1704
- P.O. Box 20006
- Manama, Kingdom of Bahrain

- Tel: + (973) 17-511-311
- Website: www.bcdr-aaa.org

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 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 BCDR. Occasional lawsuits against individuals or companies for nonpayment of debts have been adequately handled by Bahrain's court system.

The guidelines laid down by the International Chamber of Commerce (ICC) in Paris are generally respected, and disputes have been occasionally referred to arbitration at the ICC in Paris. Bahrain is a signatory to the Washington Convention and the New York Convention of 1958 on the Recognition and Enforcement of Foreign Arbitration Awards.

5. Performance Requirements and Investment Incentives

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.

Industries must be set up in identified industrial areas. An Environmental Impact Statement (EIS) must be filed by all manufacturing facilities. After one complete year of operation, a manufacturing facility is eligible for relief from tariffs imposed by other GCC states on imported goods.

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 and investment protections are 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% 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

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, Housing Bank, 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 will assist in resolving the housing issues in the Kingdom.

Under the U.S.-Bahrain FTA, Bahrain committed to enforce world-class Intellectual Property Rights (IPR) protection. 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. Revised legislation to implement Bahrain's obligations under the TRIPS Agreement was ratified in May 2006. Bahrain joined the WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty. In May 2006, Bahrain 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.

The government has made dramatic 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 have been virtually eliminated. However, audio, video, and software piracy by end-users remain 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. 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) or higher.

In the case of manufacturing enterprises, bureaucratic procedures and red tape created stumbling blocks mainly due to the lack of coordination between government ministries, which must sign off at one stage or another during the licensing process.

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 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 telecommunication, legal, banking, and consulting industries under one roof.

Officials from the Ministry of Commerce note that the BIC can process and issue 80% of commercial registration applications within 24 hours, and another 10% of commercial registrations within five working days. The remaining 10%, 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.

Legislation Process:

Draft legislation may be proposed by the Cabinet and by both the lower house (Council of Representatives) and upper house (Shura or Consultative Council) of the National Assembly. Once a draft law has been produced and submitted to the lower and upper houses of the National Assembly for approval, it is then passed to the Cabinet for the King's signature. After the King signs the law, the law is published in the Public Gazette and is promulgated.

Moreover, the King has the power to issue a Decree By Law, which carries the power of law. The Lower Legislative Chamber (COR), and Upper Chamber (Shura Council) of Parliament have the power to approve or reject a Decree By Law, but do not have the power to amend a Decree By Law.

In May 2012, the King ratified a set of constitutional reforms which enhanced the powers of the elected chamber in the legislative branch. This allows the COR spokesperson to chair the National Assembly whenever called upon. The new reforms laid the foundation for the elected chamber to monitor government programs, in addition to creating a mechanism for choosing appointed members in the Shura Council.

Entrenched local business interests with government influence can cause problems for potential competitors. 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. Departures such as these from the consistent, transparent application of regulations and the law remain rare, and investors are usually pleased with government cooperation and support.

9. Efficient Capital Markets and Portfolio Investment

Consistent with the Government of Bahrain'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 will 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.

There is an effective regulatory system that encourages portfolio investment, and the CBB has fully implemented Basel II standards. Bahrain has over 356 financial institutions with total assets exceeding USD 218 billion at the end of 2013. The 2008 global financial crisis, coupled with the political unrest of 2011, negatively impacted the growth in this sector. The CBB advised financial institutions to merge and review their business models to ensure greater profitability.

10. Competition from State-Owned Enterprises

Bahrain's major parastatals are the Bahrain Petroleum Company (BAPCO), Aluminum Bahrain (ALBA), the Gulf Industrial Petrochemicals Company (GPIC), Gulf Air, Bahrain Telecommunications Company (BATELCO), the National Bank of Bahrain (NBB) and the Arab Ship 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, telecommunication, shipyard repair, and real estate sectors.

The Government of Bahrain does not impose corporate taxes on any companies in the Kingdom. In 2002 the government instituted guidelines to ensure its State Owned Enterprises (SOEs) are in line with OECD policies on corporate governance. Parastatals 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, telecommunication, shipyard, and real estate companies fall under

Mumtalakat. The National Audit Bureau monitors all SOEs and annually reports any irregularities, mismanagement, and instances of corruption. SOEs do not compete with private sector firms.

Like other GCC countries, Bahrain's Research & Development (R&D) in SOEs constitutes only 1 percent of the annual budget. BAPCO, GPIC, and ALBA export the majority of their production to GCC countries, India, and the United States. Mumtalakat's performance has been dragged down from having Gulf Air on its books, with the government routinely providing bailout money for the beleaguered airline.

11. Corporate Social Responsibility

Corporate Social Responsibility is a relatively new concept in the region. Bahrain does not have any laws or policies which 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.

12. Political Violence

Historically, Bahrain has been an open, politically moderate, economically liberal Gulf state that enjoys close ties to the United States. In recent years, Bahrain has seen periodic outbursts of street violence arising from issues such as housing, employment, and sectarian discrimination.

In February and March 2011, Bahrain witnessed unprecedented political and civil unrest that resulted in at least 35 deaths. In March 2011, the government instituted a State of National Safety, during which military forces from Saudi Arabia and the United Arab Emirates were deployed to Bahrain to restore order. The government lifted the State of National Safety on June 1, 2011. All 18 opposition members of parliament resigned to protest the use of force against civilians. In July 2011, the Government of Bahrain launched a National Dialogue that resulted in several recommended reforms, though opposition groups generally rejected the process.

Parliamentary by-elections were peacefully conducted in September 2011 to replace the vacated seats, though political opposition groups boycotted the elections. In November 2011, the royally-appointed Bahrain Independent Commission of Inquiry (BICI) released a detailed report on its findings and recommended reforms, particularly in the security services. The Government of Bahrain has implemented many of the recommendations made by the BICI and National Dialogue, but the political and civil unrest continues. Ongoing demonstrations have occasionally degenerated into violent clashes by demonstrators against police and violent protestors have employed improvised bombs and weapons against security officials. However, such violence is normally confined to specific neighborhoods, and demonstrators have not targeted Americans or Western expatriates. American citizens visiting Bahrain are reminded to visit the Embassy's website to receive the most updated information about the security situation and register with the Embassy's consular section.

13. Corruption

According to U.S. firms, high-level corruption is sometimes an obstacle to foreign direct investment and contracting, particularly in the contract-bidding process and in operating notably successful investments. In the case of some high-value contracts, government-tendering procedures have not always been transparent and contracts have not always been decided on the basis of price and technical merit. Petty corruption is relatively rare in Bahrain. The bureaucracy is sometimes inefficient but it is generally honest. Giving or accepting a bribe is illegal, although the relevant laws are rarely enforced. Officials have been dismissed for blatant corruption, but it is never so stated officially; no one has been tried in court for corruption. The King and Crown Prince have come out publicly in favor of reducing corruption and some Ministries have initiated clean-up efforts to reduce the problem. The expatriate business community is cautiously optimistic that there is 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 is not a signatory to the OECD Convention on Combating Bribery.

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 investigation of fiscal discrepancies in government accounts. In December 2013, the Crown Prince established an Investigation Committee to oversee the cases highlighted in the National Audit Report. In February 2014, the Minister of State for Follow-Up in the Cabinet Affairs stated that seven cases were transferred to the Public Prosecution.

In September 2007 the Crown Prince publicly launched an official campaign against corruption. As a result, several executives in state-owned companies were removed from their positions. In April 2008, Bahraini government officials and executives of Aluminum Bahrain (ALBA) were accused of accepting bribes from the American firm Alcoa. In 2008, ALBA sued Alcoa, alleging that Alcoa conspired to overcharge ALBA by hundreds of millions of dollars. The lawsuit was closed in 2011 after the U.S. Justice Department and U.K.'s Serious Fraud Office announced they were investigating the matter. Alba's former CEO and a London-based middleman have been charged in the UK case. In December 2011, ALBA filed an amended racketeering lawsuit against Alcoa. In October 2012, Alcoa reached a settlement with ALBA. It did not admit liability, but agreed to pay the company USD 85 million. ALBA filed similar lawsuits against Japanese company Sojitz Group, accusing it of paying bribes to gain discounts on aluminum prices.

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.

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 December 2013, Bahrain had bilateral investment protection agreements in place with Algeria, Barbados, Belarus, Bulgaria, the Czech Republic, China, Egypt, Germany, Italy, Iran, Ireland, Jordan, Malaysia, Morocco, Netherlands Philippines, Russia, Syria, Thailand, the United Kingdom, and the United States.

Bahrain has economic and commercial cooperation agreements with Australia, Bangladesh, 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, Tunisia, Turkey, and the United Kingdom.

Bahrain has air transportation tax agreements with Belgium, China, France, Luxembourg, Italy, Germany, Greece, Russia, Singapore, Syria, Thailand, Turkey, the Netherlands, 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, Philippines, Russia, Slovakia, Spain, Thailand, Tunisia, Turkey, and the United Kingdom.

15. OPIC and Other Investment Insurance Programs

In April 1987, the Government of Bahrain and the U.S. Government signed an agreement which opened the way for the extension of Bahrain's Overseas Private Investment Corporation (OPIC) facilities to U.S. private investors interested in doing business in Bahrain. The agreement covers investment insurance, reinsurance, and investment guarantees.

16. Labor

The Bahrain labor force is estimated at 712,600, of which 58% are expatriates. According to the most recent government statistics, foreigners comprise 52% of the total population. The government has publicly stated that 4.8% of Bahrainis are unemployed, however the International Labor Organization estimates unemployment to be 7.5%.

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 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 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 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 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 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 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. 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

Khalifa bin Salman Port, Bahrain's major sea port 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 the Kingdom of Bahrain

	Host Country Statistical source*		USG or international statistical source		USG or international Source of data (Source of Data: BEA; IMF; Eurostat; UNCTAD, Other)
Economic Data	Year	Amount	Year	Amount	
Host Country Gross Domestic Product (GDP) <i>(Millions U.S. Dollars)</i>	2013	USD 27.4 Billion	2013	USD 28.6 billion	Bahrain Economic Development Board http://www.worldbank.org/en/country
Foreign Direct Investment	In 2013 the EDB announced Bahrain attracted an FDI amount of USD 114 million, an increase of 12 percent.		The World Investment Report issued by UNCTAD showed that FDI in Bahrain reached USD 120 million, an increase of 14 percent.		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD; EDB

U.S. FDI in partner country (Millions U.S. Dollars, stock positions)	Year No data available	Amount No data available	2012	USD - 455 million	(BEA) click selections to reach. <ul style="list-style-type: none"> • Bureau of Economic Analysis • Balance of Payments and Direct Investment Position Data • U.S. Direct Investment Position Abroad on a Historical-Cost Basis • By Country only (all countries) (Millions of Dollars)
Host country's FDI in the United States (Millions U.S. Dollars, stock positions)	Year No data available	Amount No data available	2012	USD 276 million	(BEA) click selections to reach <ul style="list-style-type: none"> • Balance of Payments and Direct Investment Position Data • Foreign Direct Investment Position in the United States on a Historical-Cost Basis • By Country only (all countries) (Millions of Dollars)
Total inbound stock of FDI as % host GDP (calculate)	Year No data available	Amount No data available	Insert (Year)	Amount	

* Provide sources of host country statistical data used.

TABLE 3: Sources and Destination of FDI: Kingdom of Bahrain (2012)*

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	16,826	100%			
Kuwait	5,519	33%			
Saudi Arabia	4,059	24%			

Libya	2,740	16%			
United Arab Emirates	1,250	7%			
India	956	6%			
"0" reflects amounts rounded to +/- USD 500,000.					

* Source: <http://cds.imf.org>

Foreign investments in Bahrain range from partial foreign ownership of large parastatals in the oil and telecommunications sectors to small restaurant franchises. Although the government does not maintain detailed statistics on foreign direct investment flows, the 2013 U.N. World Investment Report indicates a 2010 FDI stock of USD 15.2 billion, or 71% of GDP, for inward investment, and USD 7.2 billion, or 38.1% of GDP, for outward investment.

According to the Inward Performance Index published by UNCTAD in 2013, which ranks countries by the FDI they receive in relation to their economic size, Bahrain's ranked 102 out of 143 countries.

TABLE 4: Sources of Portfolio Investment: Kingdom of Bahrain (2012)*

Portfolio Investment Assets								
Top Five Partners (Millions, US Dollars)								
Total			Equity Securities			Total Debt Securities		
World	36,518	100%	World	2,405	100%	World	34,114	100%
Turkey	8,519	23%	United States	516	21%	Turkey	8,499	25%
Philippines	6,923	19%	Cayman Islands	431	18%	Philippines	6,923	20%
United States	6,458	18%	Saudi Arabia	352	15%	United States	5,941	17%
United Arab Emirates	2,693	7%	Qatar	145	6%	United Arab Emirates	2,561	8%
Qatar	2,136	6%	United Arab Emirates	132	5%	Qatar	1,991	6%

* Source: <http://cpis.imf.org>

By value, the largest foreign holdings and projects in Bahrain include:

- In 2010, Occidental Petroleum and BAPCO formed Tatweer Petroleum, a joint venture to revitalize Bahrain's only active oil field through enhanced-recovery technologies. Tatweer is drilling 3,600 new oil wells over the next 20 years.
- Aluminum Bahrain (ALBA) and the Gulf Petrochemical Industries Complex (GPIC), each of which are owned as joint investments by several Gulf States.
- Bahrain National Gas Company (BANAGAS) is owned by Bahrain, a Saudi investment firm, and Caltex Bahrain.
- Durrat Al Bahrain, a major real estate project valued at USD 3.4 billion, being developed by Bahrain Kuwait Finance House.
- Amwaj Islands, a tourism project is jointly owned by Bahraini, Kuwaiti and Saudi corporate and individual investors.
- The development of the USD 1.3 billion Bahrain Financial Harbor project, owned by Gulf Finance House, personal and corporate GC investors.

Section 5 - Government

For the current list of Chiefs of State and Cabinet Members, please access the following - [Central Intelligence Agency online directory of Chiefs of State and Cabinet Members of Foreign Governments](#)

Legal system:

Mixed legal system of Islamic law, English common law, Egyptian civil, criminal, and commercial codes; customary law

International organization participation:

ABEDA, AFESD, AMF, CAEU, CICA, FAO, G-77, GCC, IAEA, IBRD, ICAO, ICC (national committees), ICRM, IDA, IDB, IFC, IFRC, IHO, ILO, IMF, IMO, IMSO, Interpol, IOC, IOM (observer), IPU, ISO, ITSO, ITU, ITUC (NGOs), LAS, MIGA, NAM, OAPEC, OIC, OPCW, PCA, UN, UNCTAD, UNESCO, UNIDO, UNWTO, UPU, WCO, WFTU (NGOs), WHO, WIPO, WMO, WTO

Section 6 - Tax

No form of personal, corporate, withholding or value added tax is applicable In Bahrain. There is no personal tax except municipal tax of 10% on the monthly rental of residential and business property. In addition, a 5% government levy on gross turnover is imposed on hotel services and entertainment.

Customs (import) duties are generally levied at a rate of 5% but there are many items such as medicines, most food products, capital goods and raw material for industries which are exempt from duty. After implementation of the new uniform customs tariff which became effective on 1 January 2003, all non-Gulf Co-operation Council (GCC) products, except for those exempted, are subject to 5% customs duty. However, the products of the GCC countries shall enter into each others' markets free of customs duties.

Products are considered as originating in a GCC country if the value added to such product in the said country is more than 40% of the value of the product in question and if the factory that manufactured the product is at least 51% owned by GCC nationals. In the event of re-export to non-GCC countries, a customs deposit has to be made and this will be refunded when proof of re-export is given to the authorities. In the event of re-export to GCC countries, customs duty at 5% will be levied at the first point of entry. The provisions of the GCC Customs Union, which was implemented from 1 January 2003, will be applicable.

Bahrain has signed **42 agreements (32 DTC and 10 TIEA agreements)** providing for the exchange of information.

Jurisdiction	Type of EOI Arrangement	Date Signed	Date entered into Force	Meets standard	Contains paras 4 and 5	
Algeria	DTC	11 Jun 2000	29 Sep 2003	No	No	
Australia	TIEA	15 Dec 2011	15 Dec 2012	Yes	Yes	
Austria	DTC	2 Jul 2009	1 Feb 2011	Yes	Yes	
Barbados	DTC	3 Dec 2012	16 Jul 2013	Yes	Yes	
Belarus	DTC	27 Oct 2002	16 Apr 2008	Unreviewed	No	
Belgium	DTC	4 Nov 2007	not yet in force	Yes	No	
Belgium	DTC Protocol	23 Nov 2009	not yet in force	Yes	Yes	
Bermuda	DTC	22 Apr 2010	29 Jan 2012	Yes	Yes	
Brunei Darussalam	DTC	14 Jan 2008	18 Jul 2009	No	No	
Brunei Darussalam	DTC Protocol	18 Dec 2012	not yet in force	Unreviewed	Yes	
Bulgaria	DTC	26 Jun 2009	9 Nov 2010	Unreviewed	Yes	
Canada	TIEA	4 Jun 2013	not yet in force	Yes	Yes	
China	DTC	16 May 2002	15 Aug 2002	Yes	No	
China	DTC Protocol	16 Sep 2013	not yet in force	Unreviewed	Yes	
Czech Republic	DTC	24 May 2011	10 Apr 2012	Yes	Yes	
Denmark	TIEA	14 Oct 2011	5 Sep 2012	Yes	Yes	

Jurisdiction	Type of EOI Arrangement	Date Signed	Date entered into Force	Meets standard	Contains paras 4 and 5	
Estonia	DTC	12 Oct 2012	not yet in force	Yes	Yes	
Faroe Islands	TIEA	14 Oct 2011	23 Jul 2013	Unreviewed	Yes	
Finland	TIEA	14 Oct 2011	11 Jul 2012	Yes	Yes	
France	DTC	10 May 1993	10 Aug 1994	Yes	Yes	
Georgia	DTC	18 Jul 2011	1 Aug 2012	Unreviewed	Yes	
Greenland	TIEA	14 Oct 2011	4 Jul 2012	Unreviewed	Yes	
Iceland	TIEA	14 Oct 2011	15 Aug 2012	Yes	Yes	
India	TIEA	31 May 2012	11 Apr 2013	Yes	Yes	
Iran	DTC	19 Oct 2002	17 Nov 2007	Unreviewed	No	
Ireland	DTC	29 Oct 2009	9 Nov 2010	Yes	Yes	
Isle of Man	DTC	3 Feb 2011	8 Mar 2012	Yes	Yes	
Korea, Republic of	DTC	1 May 2012	26 Apr 2013	Yes	Yes	
Lebanon	DTC	7 Aug 2003	13 Sep 2005	No	No	
Luxembourg	DTC	6 May 2009	10 Nov 2010	Yes	Yes	
Malaysia	DTC	14 Jun 1999	31 Jul 2000	Yes	Yes	
Malta	DTC	12 Apr 2010	28 Feb 2012	Yes	Yes	
Mexico	DTC	10 Oct 2010	22 Feb 2012	Yes	Yes	
Netherlands	DTC	16 Apr 2008	24 Nov 2009	Yes	Yes	
Norway	TIEA	14 Oct 2011	12 Jul 2012	Yes	Yes	
Pakistan	DTC	27 Jun 2005	27 Oct 2009	Unreviewed	No	
Philippines	DTC	7 Nov 2001	14 Oct 2003	Yes	No	
Seychelles	DTC	24 Apr 2010	3 Feb 2012	Yes	Yes	
Singapore	DTC	18 Feb 2004	13 Dec 2004	Yes	Yes	
Sri Lanka	DTC	24 Jul 2011	not yet in force	Unreviewed	Yes	
Sweden	TIEA	14 Oct 2011	not yet in force	Yes	Yes	
Turkey	DTC	14 Nov 2005	2 Sep 2007	Yes	Yes	
Turkmenistan	DTC	9 Feb 2011	13 May 2012	Unreviewed	Yes	
United Kingdom	DTC	10 Mar 2010	19 Dec 2012	Yes	Yes	
Uzbekistan	DTC	5 Jun 2009	12 Jan 2011	Unreviewed	Yes	

Methodology and Sources

Section 1 - General Background Report and Map

(Source: [CIA World Factbook](#))

Section 2 - Anti – Money Laundering / Terrorist Financing

	Lower Risk	Medium Risk	Higher Risk
FATF List of Countries identified with strategic AML deficiencies	Not Listed	AML Deficient but Committed	High Risk
Compliance with FATF 40 + 9 recommendations	>69% Compliant or Fully Compliant	35 – 69% Compliant or Fully Compliant	<35% Compliant or Fully Compliant
US Dept of State Money Laundering assessment (INCSR)	Monitored	Concern	Primary Concern
INCSR - Weakness in Government Legislation	<2	2-4	5-20
US Sec of State supporter of / Safe Haven for International Terrorism	No	Safe Haven for Terrorism	State Supporter of Terrorism
EU White list equivalent jurisdictions	Yes		No
International Sanctions UN Sanctions / US Sanctions / EU Sanctions	None	Arab League / Other	UN , EU or US
Corruption Index (Transparency International) Control of corruption (WGI) Global Advice Network	>69%	35 – 69%	<35%
World government Indicators (Average)	>69%	35 – 69%	<35%
Failed States Index (Average)	>69%	35 – 69%	<35%
Offshore Finance Centre	No		Yes

Section 3 - Economy

General Information on the current economic climate in the country and information on imports, exports, main industries and trading partners.

(Source: [CIA World Factbook](#))

Section 4 - Foreign Investment

Information on the openness of foreign investment into the country and the foreign investment markets.

(Source: [US State Department](#))

Section 5 - Government

Names of Government Ministers and general information on political matters.

(Source: [CIA World Factbook](#) / <https://www.cia.gov/library/publications/world-leaders-1/index.html>)

Section 6 - Tax

Information on Tax Information Exchange Agreements entered into, Double Tax Agreements and Exchange Controls.

(Sources: [OECD](#) [PKF International](#))

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