



U.S. Department of State FY 2001 Country Commercial Guide: Bahrain

The Country Commercial Guide for Bahrain prepared by U.S. Embassy Manama and released by the Bureau of Economic and Business in July 2000 for Fiscal Year 2001.

International Copyright, U.S. & Foreign Commercial Service and the U.S. Department of State, 2000. All rights reserved outside the United States.

TABLE OF CONTENTS

- I. Executive Summary
- II. Economic Trends and Outlook
- III. Political Environment
- IV. Marketing U.S. Products and Services
- V. Leading Sectors for U.S. Exports and Investment
- VI. Trade Regulations, Customs and Standards
- VII. Investment Climate
- VIII. Trade and Project Financing
- IX. Business Travel
- X. Economic and Trade Statistics
- XI. U.S. and Country Contacts
- XII. Market Research
- XIII. Trade Event Schedule

I. EXECUTIVE SUMMARY

This Country Commercial Guide (CCG) presents a comprehensive look at Bahrain's commercial environment, using economic, political and market analysis. The CCGs were established by recommendation of the Trade Promotion Coordinating Committee (TPCC), a multi-agency task force, to consolidate various reporting documents prepared for the U.S. business community. Country Commercial Guides are prepared annually at U.S. embassies through the combined efforts of several U.S. Government agencies.

Bahrain has always been an excellent place to do business, and has the potential to become even more hospitable in the coming years. The senior leadership is committed to reinvigorating the country's economy by diversifying away from a reliance on oil by expanding the manufacturing base, focusing on services sectors--such as banking and

tourism--and developing high-technology sectors such as telecommunications and e-commerce. Bahrain also offers the advantages of no personal or corporate taxation, no restriction on capital or profit repatriation, a modern infrastructure, and duty free access to members of the Gulf Cooperation Council (GCC). U.S. firms continue to perform well in Bahrain, and the government is eager to attract more investment.

Bahrain offers a wealth of trade and investment opportunities in a number of sectors. Despite ongoing efforts to diversify away from the petroleum sector, oil and gas continue to play a dominant role in Bahrain's economy, accounting for 66 percent of total export earnings in 1999, and up to 73 percent in the first quarter of 2000 on the strength of high oil prices. Bahrain has overcome its relatively small size by positioning itself as a regional leader in a number of key sectors, enabling a foreign firm to leverage its investment and reach a broader consumer base. Bahrain has served as the financial hub of the region for the past two decades, for example, and is poised to offer new and expanded financial services in the coming years.

Similarly, the Bahrain Telecommunications Company (BATELCO) is considered a key regional force in telecommunications and information technologies. BATELCO invests about USD 64 million annually to upgrade and expand its products and services. BATELCO is the monopoly Internet service provider (ISP) and charges relatively high rates, although recently it has begun to cut access rates to boost subscription and is rolling out new services such as integrated messaging services (IMS) and wireless access protocol (WAP). Although the tourism sector is less mature, the government has placed high priority on it as a catalyst for future growth.

As the government forges ahead with a number of large projects, the downstream effect should continue to boost the economy. In particular, the upgrade of BAPCO's refinery and power and water projects such as Hidd offer possibilities to U.S. firms for sales in related sectors over the coming five years. Other major infrastructure projects include construction of a new water distribution network, upgrade of the Sitra power and water station, expansion of the Ras Abu Jurjur desalination plant, upgrade of the Riffa power station, and expansion of the Tubli and other waste treatment facilities.

In general, establishing a business presence in Bahrain can be relatively easy and straightforward. Firms may be 100 percent foreign-owned, but companies wishing to produce for the local market must have majority Bahraini ownership. In either case, the U.S. Embassy highly recommends that U.S. firms find a local partner, or at least hire a local agent, to facilitate the establishment and operation of the enterprise. As government tendering procedures for large projects can be opaque and negotiated contracts are common, the right agent often seems as important as price, sales conditions and technical qualifications. U.S. companies interested in opening in Bahrain are strongly encouraged to consult the Bahrain Promotions and Marketing Board (BPMB) and the U.S. Embassy for additional details and guidance.

Country Commercial Guides are available for U.S. exporters from the National Trade Data Bank's CD-ROM or through the Internet. Please contact STAT-USA at 1-800-

STAT-USA for more information. Country Commercial Guides can be accessed via the World Wide Web at <http://www.stat-usa.gov>; <http://www.state.gov>; and <http://www.mac.doc.gov>. They can also be ordered in hard copy or on diskette from the National Technical Information Service at (NTIS) at 1-800-553-NTIS. U.S. exporters seeking general export information/assistance and country-specific commercial information should contact the U.S. Department of Commerce, Trade Information Center by phone at 1-800-USA-TRADE or by fax at (202) 482-4473.

II. ECONOMIC TRENDS AND OUTLOOK

MAJOR TRENDS AND OUTLOOK

Bahrain has always been an excellent place to do business, and continues to take steps to further enhance its position as the “economic gateway to the Gulf.” It all begins at the top. Shaikh Hamad Al Khalifa, who became amir in March 1999, recognizes that Bahrain’s future prosperity hinges on its ability to further diversify from the oil sector and to attract new investment. The young, U.S.-educated Crown Prince, Shaikh Salman Al Khalifa, is a firm believer in the “Singapore Model”--in which the services sectors are the driving forces in the economy--and is pushing for greater private sector investment particularly in information technology, telecommunications, and tourism.

There were three developments in 2000 that will only further enhance the country’s hospitable business climate and create additional trade and investment opportunities. A Supreme Council for Economic Development, chaired by the Prime Minister, was created to identify, develop, and promote foreign investment opportunities. One of the country’s most successful entrepreneurs, Mohammed Al-Sheroogi, plans to take a leave of absence from Citibank, where he is the regional manager for the Middle East, to become Secretary General of the Council. In January 2000 the government eliminated customs duties on a range of basic food products and reduced tariffs on many consumer goods. The state-controlled monopoly Internet service provider (ISP) finally began reducing Internet access rates, introduced new Internet and wireless services, and continued to promote e-commerce. Bahrain also is the only Gulf country with a Bilateral Investment Treaty with the U.S., and was removed from the U.S. Special 301 Watch List in 1999--and was subsequently omitted from the 2000 list--in recognition of the country’s protection of intellectual property rights.

While still facing obstacles to its development--such as its small size and paucity of natural resources--Bahrain continues to have visible growth underway. Government and private construction projects continue, consumer traffic is increasing in new retail centers, and visitors arrive in droves from its Gulf Cooperation Council (GCC) neighbors. The ongoing liberalization of business laws and practices, new initiatives in the financial services sector, and a thriving information technology sector all should contribute to helping Bahrain further diversify away from oil.

Bahrain's historical position as a regional trading center has been severely challenged in recent decades, particularly by Dubai, forcing Bahrain to change. In response, Bahrain continues to modernize and streamline its business laws and procedures, to update its technology, to expand its industrial base, and to push for increased regional economic integration under the umbrella of the GCC. Bahrain also is a regional air cargo hub; air cargo volumes continue double-digit annual growth and companies like DHL have set up regional hubs and continue to expand their facilities. The signing in May 1999 of an "open skies" agreement between Bahrain and the U.S. should provide further opportunities for U.S. firms in the aviation services business.

The country continues as a regional leader in the financial, communications and information technology spheres. Efficient procedures, stability, good regulation and a strong financial community give this small island nation a standard of commercial activity with which other Gulf countries are hard-pressed to compete. The presence of the U.S. Fifth Fleet, Bahrain's status as a founding member of the World Trade Organization (WTO), and its commitment to fostering a favorable business environment, all have given the country international recognition and should help attract the foreign investment the government of Bahrain is seeking.

The BAPCO refinery upgrade and new power and water projects at Hidd, as well as other major infrastructure projects, offer possibilities to U.S. firms for sales in related sectors over the coming five years. As the government of Bahrain moves forward with a number of projects, the downstream effect should continue to boost the economy. As government tendering procedures for large projects are not always transparent and negotiated contracts are common, the right agent often seems as important as price, sales conditions and technical qualifications.

As of June 2000, approximately 105 U.S. firms were operating, in one form or another, from a Bahrain base and new ones continue to arrive. These include many U.S. franchises. Joint industrial ventures remain strong. The United States consistently is one of Bahrain's leading trading partners. U.S. products have done particularly well in the categories of information technology, financial services, tourism, telecommunications, and agricultural products.

PRINCIPAL GROWTH SECTORS

Financial Sector.

For the past twenty years, Bahrain has served as the principal financial center for the Gulf region and much of the Arab world. Bahrain's financial institutions attract funds from the Gulf and beyond. As of January 2000 Bahrain's financial sector comprised 19 full commercial banks (FCBs), two specialized banks, 48 offshore banking units (OBUs), 33 investment banks (IBs), 36 representative offices, 11 investment advisory and other financial services, 18 money changers and six money brokers. The consolidated balance sheet for the banking system in Bahrain totaled USD 102.1 billion at the end of 1999, up from USD 99.5 in 1998.

Bahrain is seeking to exploit the rapidly growing market for Islamic finance to augment its substantial traditional banking and finance operations. Islamic banking is a system that conducts normal banking operations according to the interpretations of the Islamic Sharia law. The global Islamic banking industry has been estimated to be worth USD 100 billion, and is growing by 10-15 percent a year and demand for new instruments is rising. Bahrain is already one of the main global Islamic banking centers and currently hosts 17 Islamic banks and financial institutions, the largest concentration in the Middle East. More new institutions are in the planning phase, including a number focusing on investment as opposed to commercial banking. These new institutions and investment funds are seeking to attract capital, particularly from neighboring Saudi Arabia, which remains sensitive to the charging or paying of interest in banking operations.

Important new steps have been taken to accelerate the growth of the Bahrain Stock Exchange (BSE). The BSE is developing into a regional capital market and already crosslists some stocks with Oman and Kuwait. BSE operations became fully automated in 1999, enhancing regional links and other services. Also, GCC nationals are now permitted 100 percent ownership of listed companies on the exchange. Non-GCC foreign nationals may own up to 49 percent, but the new law allows the Minister of Commerce to increase this percentage according to the general interest of the national economy. As of June 2000, 40 companies were listed in the country's stock exchange; equities, bonds, mutual funds, and currency warrants currently are the listed securities and financial instruments with a market capitalization of roughly USD 7.3 billion.

For more details, see Chapter V, "Leading Sectors for U.S. Exports and Investment: Financial Services."

Petroleum Sector.

Despite the government's efforts to diversify, oil and gas continue to play a dominant role in the country's economy, providing about half of government revenue and two-thirds of total exports. A non-OPEC member, Bahrain's oil export earnings, which included oil from the Abu Saafa field, jumped 50 percent last year on the back of higher oil prices. Exports amounted to USD 2.54 billion in 1999, compared with USD 1.69 billion in 1998, according to the Bahrain Monetary Agency (BMA). In the first quarter of 2000 Bahrain's oil exports continued to soar, amounting to USD 971.35 million. This was an increase of 119.56 percent over the same period last year, when export earnings amounted to USD 442.4 million, according to the BMA.

However, oil's share of total export earnings has dropped since 1996 when it reached 67 percent. In 1997 it fell to 62 percent, it dropped further to 52 percent in 1998, before rebounding to 62 percent in 1999.

In 1999 oil imports--mainly crude from Saudi Arabia for the refinery and re-export--increased 70.8 percent to USD 1.24 billion, from USD 726 million in 1998. Oil imports in the first quarter of 2000 amounted to USD 444.7 million, an increase of 150 percent

over imports worth USD 177.6 million during the first quarter of 1999. The oil imports represented nearly 49 percent of total imports during the first quarter of 2000.

Oil and Oil Byproduct Exports (USD billion)

	1998	1999	2000 Q1
Oil exports	1.69	2.7	0.97
Total exports	3.26	4.08	1.32
Oil as a % of total exports	52%	66%	73%

Note: Includes oil from the Abu Saafa Field.
(Source: Bahrain Monetary Agency)

Crude production from the country's onshore Awali oilfield continued to drop slightly, as the field shows its age, to 37,472 b/d during 1999 from 37,674 b/d in the previous year. During 1999 natural gas production increased to 1.11 billion cu. ft. per day, up 2.8 percent from 1.08 billion cu. ft. per day in 1998. Onshore oil and gas production levels have not fluctuated significantly for some time. Bahrain consumes its gas domestically, although some of it is converted into gas-derived petrochemicals that are eventually exported. Almost a third of non-associated gas production is re-injected into the Awali field to maintain pressure.

Bahrain is now looking to reinvigorate its upstream sector, with the government embarking on an aggressive program to increase oil production by attracting foreign investment into exploration work utilizing the most advanced technology.

In February 1998 Chevron and the Ministry of Oil and Industry signed a major exploration and production sharing agreement covering 5,900 km of Bahrain's north and west offshore area. These blocks do not include areas affected by Bahrain's border dispute with Qatar over the Hawar Islands. Chevron has moved its regional headquarters for the Middle East and North Africa to Bahrain to bolster its commitment to the country. In 1999 a memorandum of understanding was signed with Texaco to bring additional technology to the exploration sector.

In late 1998 the Supreme Council for Oil decided to merge BAPCO and Bahrain National Oil Company (BANOCO) into a single company but the merger is not yet complete. The two companies continue to operate separately "under liquidation;" a new management structure is expected to be announced shortly, completing the merger. BAPCO operates Bahrain's--and the Gulf's--oldest refinery, set up in 1936, which has the capacity to refine up to about 260,000 b/d of crude oil. The company is now 100 percent owned by the government as it bought the remaining 40 percent stake held by the U.S. firm Caltex in 1997. Caltex remains committed to Bahrain and is focusing on other opportunities here, including retailing and continuing to provide the refinery technology and skilled manpower under a Technical Services Agreement. The old BANOCO is responsible for domestic oil production and distribution. It also markets liquefied petroleum gas (LPG),

naphtha, gasoline, kerosene, aviation fuel, diesel oil, heavy lube distillate, fuel oil and asphalt produced at BAPCO's refinery.

Bahrain's business potential in the oil and gas sector is enhanced by its location. With the oil-rich Eastern Province of Saudi Arabia only 25 kilometers away and linked by the causeway and pipelines, and other Gulf States easily reached by sea and air, Bahrain is practical as a regional marketing and support center. Bahrain offers a relatively comfortable and accessible gateway to larger regional markets, and especially appeals to firms that are new. A gas pipeline grid including Bahrain has been proposed linking Gulf consumers with Qatar's vast supplies.

Potential business opportunities in Bahrain's oil and gas sectors include the long-overdue modernization of BAPCO's 260,000-b/d refinery. A USD 800 million expansion program is in its initial stages. The BAPCO expansion is intended to modernize the refinery's processes, upgrade equipment and make the range of products emerging from the aging plants more environmentally friendly. Some of the aging existing units are being replaced, while others are being put through a major revamp and upgrading process.

In April 1999 Japan's JGC Corporation won a USD 12 million contract to construct the new Keromerox plant, which is to be completed in December 2001. The contract is part of an estimated USD 29.5 million project. Designs for the new plant, which will replace the existing PBS (lead sulphite) plant, have been drawn up with the help of the U.S. firm UOP, the technology provider. The new plant will eliminate the need to use lead in the treatment process, improving the jet fuel production efficiency, as well as significantly improving the environmental performance of the refinery. The remainder of the project is scheduled to be awarded in mid-2000. The unit is expected to have a capacity of 50,000 b/d, according to industry sources.

In July 2000 the French contracting company Alstom was awarded a USD 31.8 million contract to modernize the instrumentation and control systems for the low sulfur fuel oil (LSFO) complex and the fluid catalytic cracking unit (FCCU). Alstom, through its local partner Ahmed Mansoor Al A'Ali and Comsip Alstom, will engineer, procure and construct a new control room and instrumentation systems. The project is scheduled to be completed by July 2004.

The biggest package in the expansion is the USD 420 million low sulfur diesel production project. BAPCO is now expected to invite Engineering, Procurement, and Construction (EPC) bids for the project in mid-2000. Bechtel International was awarded the front-end engineering and design (FEED) contract for this project in 1999. The project is intended to reduce the sulfur content in the diesel produced at the refinery to 0.05 percent from the current 0.75 percent; well below the 0.25 percent maximum permitted in India, BAPCO's main export market for diesel.

EPC work on the USD 66 million in line-blending project, awarded to Japan's JGC Corporation in September 1998, is to be completed and commissioned by mid-2000. The

contract entails the conversion of the existing batch-blending method to the in-line blending method through the installation of three automated in-line blenders--one for diesel, one for gasoline, and a third for fuel oil.

Several proposals for refinery projects in Bahrain have been floating for a number of years; there are no indications that any will move forward soon.

Telecommunications and Information Technology Services.

Bahrain has positioned itself as a telecommunications hub of the Gulf by offering a broad range of advanced communications services to the general population, business community and investors. The Bahrain Telecommunications Company (BATELCO) is the sole provider of national, international and Internet telecommunications services. It is regulated by the Ministry of Transportation. The Minister of Transportation is also chairman of BATELCO's board of directors.

BATELCO was established in 1981 as a shareholding company and is 37 percent government-owned. Cable & Wireless (C&W) of the U.K. owns 20 percent and the remaining 43 percent is held by investors on the Bahrain Stock Exchange. BATELCO has an authorized paid-up capital of USD 265 million. Annual profit growth averaged 16 percent for the same period, reaching USD 127.6 million in 1999. C&W has supplied much of the organization's current management. BATELCO has equity in the International Telecommunications Satellite Organization (Intelsat), which provides telecommunications services between countries across the world, and participated in the SEA-ME-WE international fiber optic cable project linking Asian countries with Europe via the Middle East. BATELCO also provides Internet service in Saudi Arabia.

BATELCO's average annual investment of USD 64 million to introduce new products and services presents opportunities to U.S. telecommunications and IT firms. Actual 1999 investment--USD 80 million--was considerably higher than normal due to BATELCO's equity investment in Fibre Optic Gulf (FOG). FOG provides telecommunications services between Bahrain, Kuwait, Qatar, and the UAE through an undersea cable network linking them to the rest of the world.

The company attributed last year's rise in profits to the growing demand for mobile phones, SimSim prepaid mobile phone cards, and its booming base of Internet subscribers. During 1999, the number of mobile phone users rose to 171,671--of whom 89,103 are SimSim cardholders--due to the introduction of the SimSim card that frees the user from paying monthly bills or rental fees. A total of nearly 38,000 users access the Internet through the Internet cafes, their homes or offices. In 1999 the number of Inet subscribers rose to 23,281; rising further to approximately 30,000 in June 2000. BATELCO plans to increase the GSM network's capacity to 200,000 by the end of 2000 and 230,000 by December 2001.

For more details, see Chapter V, "Leading Sectors for U.S. Exports and Investment: Telecommunications/IT Services."

Tourism.

The tourism industry is one of Bahrain's fastest growing sector, already accounting for over 10 percent of GDP and 16.7 percent of the workforce. To boost the sector, the government intends promote and facilitate private sector investment to upgrade and expand existing tourist facilities--such as a wildlife park, museums, and historic sites, western-style shopping malls, cinemas, restaurant franchises, and golf courses--and by offering ecological ("green") tourism opportunities and amenities directed toward families. The tourism sector in Bahrain targets four distinct markets: Exhibitions and conferences; tourism by nationals of GCC countries, especially from neighboring Saudi Arabia and Kuwait; non-GCC visitors; and business travel.

In 1999 approximately 3.3 million tourists and passengers visited Bahrain via the King Fahad Causeway (linking Bahrain to Saudi's Eastern Province) and the Bahrain International Airport, which is currently being expanded. This total is expected to increase significantly in 2000. The government further opened its doors to Gulf tourists by allowing them to travel to and from Bahrain using their local identity cards as of July 1, 2000 and is streamlining its immigration system to facilitate the rising flow of visitors.

Hoteliers and others in the hospitality industry are calling on the government to form a separate Ministry of Tourism to oversee the sector and to coordinate and promote overseas marketing efforts. Government oversight of the tourism industry currently rests with the Assistant Undersecretary for Tourism within the Ministry of Cabinet Affairs and Information.

The government's focus on tourism presents many export and investment opportunities for U.S. companies. At least three major resorts worth USD 830 million are underway. In addition, there are significant opportunities for U.S. restaurant franchises, marketing consultants, and providers of hotel and restaurant services and equipment, indoor playground equipment, and video arcade games.

For more details, see Chapter V, "Leading Sectors for U.S. Exports and Investment: Tourism."

Aluminum Sector.

Bahrain launched its aluminum industry nearly 30 years ago to take advantage of its relatively low energy costs and to diversify the economy. Over the years, the sector has expanded from basic smelting to a host of downstream operations, including a rolling mill, an extrusion plant, a cable plant, factories producing aluminum powder and wire mesh screening, and two automobile wheel factories. With a current production capacity of over 500,000 metric tons per year, the smelter operation, Aluminum Bahrain (ALBA) is one of the biggest aluminum producers in the Middle East and one of the largest single-site aluminum smelters in the world. The Bahraini government holds a 77 percent stake

in ALBA, the public investment fund of Saudi Arabia owns 20 percent and Germany's Breton Investments holds 3 percent.

In 1999 total aluminum production at ALBA was 500,921 tons, a 0.05 percent increase over 500,671 tons in 1998. In early 1999 ALBA began producing 60 tons a month of a new aluminum alloy bar aimed at the U.S. market. ALBA is now close to selecting a consultant to prepare a detailed feasibility study and masterplan for expanding capacity by 50 percent to 750,000 tons a year. The expansion is estimated to cost up to USD one billion. The selected consultant will have six months to complete the masterplan. Bidders are Canada's SNC Lavalin, France's Sofresid, and U.S.'s ICF Kaiser, Bechtel and Fluor Daniel.

ALBA is to install a fifth pot line, which will require additional power of 450-500 MW. The requirement will be met in part by ALBA's existing gas-fired plant, which currently feeds up to 275 MW of surplus electricity into the national grid. The remaining 175-225 MW will be covered by an expansion of the existing facility. ALBA has not yet decided the financing arrangements for the project.

Ongoing expansion projects at ALBA include a coke calcining plant that is set for completion by the end of 2000. The plant will meet ALBA's need for 250,000 tons a year of calcinated petroleum coke and export 200,000 tons of the product annually. Much of ALBA's coke had been imported from the U.S until recently. Other projects are a 100,000-ton aluminum storage facility, a new jetty to accommodate ships of up to 80,000-weight tonnage, loading and unloading facilities for green coke, piling works for the new coke storage facility, and a link with the existing smelter.

The government would like to attract additional downstream investment in the aluminum sector, including additional factories using molten aluminum supplied directly from ALBA's smelter. With 40 percent of Bahrain's aluminum output being reserved for local industries and the proposed expansion of ALBA's smelter, the Ministry of Oil and Industry is offering investment opportunities worth 300 million to international investors. The projects range from a USD 68 million can-manufacturing unit to a USD 460,000 facility to produce venetian blinds. Individual downstream aluminum industries are also seeking joint venture partners to expand their range of products and markets.

GOVERNMENT ROLE IN THE ECONOMY

The 1999-2000 budget (Bahrain's budgets are prepared biannually) was prepared amid very difficult circumstances because the deterioration in oil prices caused a difficulty in estimating expected oil revenue over the next two years. Government revenues were forecast at USD 3.0 billion, down 8.6 percent from USD 3.3 billion in the previous budget. Conversely, government expenditures were projected at USD 3.9 billion, up 4.5 percent. Oil revenues constitute 49 percent of projected government revenues. According to the budget, oil revenue was estimated to be USD 690 million in 1999 and USD 679 million in 2000.

The resulting deficit was to be covered by internal borrowing and loans from Arab funds and the Jeddah-based Islamic Development Bank. Sustained high global oil prices since mid-1999, however, significantly boosted government revenues over initial projections. Although the government has not released figures detailing the impact of high oil prices on the national budget, the government is now anticipating a budget surplus at the end of 2000. The 2001-2002 budget, including new assumptions on oil prices, will be published in December 2000.

Mounting budgetary pressure--driven by the growing population's demand for state-provided services—has already driven the government to support the establishment of private schools and health care facilities and is now forcing serious discussion of privatization of some government services, including in the transportation, electricity and water sectors.

At present, wholly or partially government-owned enterprises still dominate much of the economy, but the government would like to see private sector activity increase. Laws and regulations are being overhauled, particularly since 1990, to make the business climate more conducive to free enterprise and to attract foreign companies. The government encourages foreign investors to set up industries here, with 100 percent foreign ownership permitted for export industries under certain conditions. (See Chapter VII, Investment Climate.) The government likewise encourages commercial firms to set up regional offices and distribution centers here; all of these operations may be completely foreign-owned.

Bureaucracy and poor coordination between ministries on occasion can impede the establishment of industrial ventures. In a few cases when entrenched local business interests are threatened, even private sector ones, government decision making can become opaque. There also can be a lack of transparency in some government project tendering, which can act to the disadvantage of U.S. companies. (See Chapter VII, Investment Climate.)

The government set up the Bahrain Promotions and Marketing Board (BPMB) to coordinate efforts to attract businesses and investments and to offer streamlined assistance to foreign firms from the U.S. and other countries wishing to establish themselves in Bahrain. The BPMB has a webpage (www.bpmb.com) and an e-mail address (bahrain7@BATELCO.com.bh); companies will soon be able to be registered online.

The Ministry of Oil and Industry has established a Small and Medium Enterprise Unit (SMEU) to assist both local and foreign businesses in establishing new industrial ventures here. For more information, contact Dr Haitham Al Qahtani, Head of the SMEU, at (973) 525-559.

The Ministry of Finance and National Economy and the Bahrain Monetary Agency (BMA) have worked hard to maintain Bahrain as the principal banking and financial

center of the Gulf Region, creating and maintaining a stable and secure regulatory environment with advanced technological infrastructure support.

BALANCE OF PAYMENTS SITUATION

On the strength of higher global oil prices, Bahrain's trade balance went to a surplus of USD 498 million in 1999, a reversal from a deficit of USD 360 million in 1998.

According to figures from the Central Statistics Organization (CSO), Bahrain's total exports rose 24 percent in 1999 to USD 4.1 billion, in comparison to USD 3.3 billion in 1998. Non-oil exports amounted to USD 1.5 billion in 1999, a decrease of six percent over the 1998 figure of USD 1.6 billion. Oil exports, including oil from the Abu Saafa field, amounted to USD 2.7 billion in 1999, up 59 percent from USD 1.7 billion in 1998. As a result, oil exports accounted for 66 percent of Bahrain's total exports in 1999, up significantly from 52 percent the previous year.

Total imports grew by a modest 3 percent to USD 3.6 billion in 1999, from USD 3.5 billion in 1998. Although non-oil imports declined 15 percent to USD 2.3 billion in 1999--from 2.7 billion in 1998--oil imports shot up 92 percent to USD 1.4 billion from USD 730 million in 1998.

Bahrain's balance of payments surplus remained buoyant in the first quarter of 2000 due to sustained high oil prices. The country registered a surplus of USD 36 million, based on total exports of USD 1.3 billion and imports of USD 972 million. Oil exports, USD 970 million in the first quarter, accounted for 73 percent of all exports.

INFRASTRUCTURE

Throughout the oil boom years, the country invested wisely in developing a solid modern infrastructure. Most roads are paved and well maintained, streetlights are replaced, quality hospital services are available to all, electricity and water arrive as required, telecommunications facilities are excellent, and the financial sector offers an extremely wide range of products and services.

Communications: The majority state-owned Bahrain Telecommunications Company (BATELCO) provides excellent services for all sectors of the economy. Telecommunications services in Bahrain employ fully digitized systems and state-of-the-art technology. Services provided by BATELCO include direct dialing and fax transmission facilities to almost anywhere in the world, GSM mobile telephony, high-speed data circuits, integrated service digital networks (ISDN) and corporate messaging facilities. BATELCO also is the sole Internet service provider (ISP) in Bahrain, offering dial-up access via 56K modem or ISDN lines. In June 2000 BATELCO cut installation and usage fees for Internet access to bolster its subscriber base.

Power and Water: Bahrain has built an extensive power and desalination network, but demand already taxes capacity and constrains short-term industrial growth. The

government is planning a second phase of the Hidd power and water plant facility, already the largest in Bahrain. Another project involves upgrading the Sitra power and desalination plant and the Riffa power station. The Ministry of Works and Agriculture is moving ahead with the estimated USD 118 million rehabilitation of the Tubli Sewage Plant

Transportation: Bahrain International Airport, with a new terminal and boasting more than 35 airlines, is considered a gateway to the region. Over 300 regional passenger flights and 60 cargo flights operate each week. Several new projects are expected to move ahead in year 2000, following delays resulting from the 1998 oil price crash. A new headquarters for the civil aviation department is to be built and resurfacing of the runway is planned. Other projects include the construction of a VIP terminal facility and the acquisition of fire-fighting vehicles.

The major seaport of Mina Sulman can accommodate vessels up to 65,000 tons, and has a container capacity of 150,000 twenty-foot equivalent units (TEU) per year. Although the port is adequate for current volumes of sea-borne freight, plans for an estimated USD 711 million new port and associated industrial zones have been initiated. The new port is to have a capacity of 234,000 20-foot TEUs and will include 1,800 meters of quay with minimum 15 meters water depth designed for containers, general cargo, dry bulk and roll-on-roll-off (Ro-Ro) traffic; small craft berths; a container terminal including container freight station, and an aluminum packing shed; and a general cargo area.

Bahrain has a fairly well developed road network. Multi-lane highways cover the country. The 25-kilometer Bahrain-Saudi Causeway, which opened in November 1986, created many new commercial opportunities.

Health: Bahrain has a modern, comprehensive health system, whose facilities include in- and out-patient, dental, pediatric, psychiatric, maternity and orthopedic care. All Bahrainis receive free health care from the state; most companies offer their expatriate workers some sort of health coverage, either through insurance companies, in which case rates are negotiable, or through arrangements with one or more of the local private hospitals. There is a fee, USD 10, for expatriates attending an emergency clinic in a government hospital. The government currently is studying a compulsory medical insurance scheme for expatriates in order to cover at least some of its costs.

Education: Bahrain is the regional leader in providing education for all citizens; the first public school was established in the 1920s for boys, with a girl's school following a few years later. The literacy rate is the highest in the region. Free public education is available to all Bahraini school-age children. Due to rising demand creating growing deficiencies in the state school system, however, most parents who can afford it send their children to one of a large and growing number of private schools. A U.S. Department of Defense-affiliated school and a number of private schools offer education in English with an American-style curriculum. Bahrain also boasts three universities.

III. POLITICAL ENVIRONMENT

NATURE OF RELATIONSHIP WITH THE U.S.

The U.S. has long enjoyed extremely warm relations with Bahrain, even during periods of strained relations between the U.S. and many other Arab countries. The U.S. Navy's operations in the Central Command area (the Gulf, the western Indian Ocean, and the Red Sea) have been located in Bahrain since the end of World War II; the Navy headquarters its Fifth Fleet in Bahrain.

As a member of the Arab League, Bahrain is nominally committed to the enforcement of the primary aspect of the League's boycott of Israel. However, Bahrain has joined the other GCC countries in a joint announcement officially ending participation in the secondary and tertiary boycotts. Enforcement of the boycott is quite lax.

SYNOPSIS OF POLITICAL SYSTEM

Bahrain is governed as a traditional emirate, under the Al Khalifa family, which has ruled the country for over two hundred years. Shaikh Hamad bin Isa Al Khalifa is the Amir of Bahrain, having assumed this mantle in March 1999 after the sudden death of his father, Shaikh Isa bin Salman Al Khalifa. Shaikh Hamad rules with the assistance of his uncle, the Prime Minister Shaikh Khalifa bin Salman Al Khalifa; his son, the Crown Prince Shaikh Salman bin Hamad Al Khalifa; and an appointed Cabinet of Ministers. In 1975, the government suspended some provisions of Bahrain's 1973 Constitution, including articles relating to the National Assembly, which the government disbanded in the same year. The Consultative Shura Council, which was established in 1993, is wholly appointive and possesses no legal powers. There are no political parties, and no elections for government positions. The Shura Council has recently been given the capacity to discuss some issues of its own choosing, but it still has only an advisory role. The Amir, Shaikh Hamad Al Khalifa, has promised municipal elections in the near future.

POLITICAL ISSUES AFFECTING BUSINESS CLIMATE

During the mid-1990s, Bahrain experienced intermittent civil unrest directed primarily against the regime. Since then, public demonstrations of antipathy toward the government have subsided. Several South Asian expatriates and Bahrainis were killed, and in some cases expatriate property, including homes, vehicles and places of business, was damaged or destroyed. Incidents of violence over the past two years have been few and generally limited to small-scale vandalism. On the infrequent occasions when they have occurred, arson attacks have been on specific, mostly Bahraini-owned, enterprises. Most expatriate residents say they feel safer here than they would in other urban centers of the world, including the U.S. The government puts a high priority on the enforcement of law and order, and the U.S. has a very good cooperative security relationship with Bahrain.

IV. MARKETING U.S. PRODUCTS AND SERVICES

INTRODUCTION

Bahrain's primary commercial importance is as a regional center, serving not only the Gulf countries but the Middle East in general. Because the country has limited oil and other natural resources, the government has long worked to secure Bahrain's place as a strong financial and commercial center for the Gulf region, and also to attract downstream industries. Laws, regulations, and infrastructure have been developed with that goal in mind. About 105 U.S. companies conduct business from a Bahrain base as of June 2000.

Establishing a business in Bahrain, whether for services, sales or manufacturing, appears to work best after:

- Carefully researching the market, economic, and social systems
- Carefully choosing a Bahraini partner/advisor/consultant with good access to the country's leadership.
- Conducting due diligence in establishing a business relationship.
- Requiring confirmed Letters of Credit for purchases, especially in the initial stages of a business relationship.

The technology transfer and marketable name provided by American companies are valuable and potentially profitable commodities likely to be attractive to Bahraini partners.

DISTRIBUTION AND SALES CHANNELS

Commercial sales within Bahrain can only be made through a Bahraini agent or a joint company set up with at least 51 percent Bahraini ownership. Exceptions are made for factories manufacturing in Bahrain and for regional offices established in Bahrain, enabling these firms to sell locally. In early 1998, Bahrain abolished its sole-agency framework in order to promote competition and growth and to comply with its World Trade Organization (WTO) obligations. The Ministry of Commerce now has greater authority to dissolve agency relationships and the consent of both parties is no longer required. If one party is dissatisfied and documents clearly inadequate performance by the other, that is enough for the Ministry to take action to terminate the relationship. Commissions are capped at five percent and will be phased out entirely by 2003. In certain cases, no commission is paid (e.g., on items intended for private use).

Agency agreements should be established as limited-term contracts, rather than being open-ended as before; check with the U.S. Embassy Commercial Section for updates. Also, merchants may import products that have assigned agents, on the condition that the importer pays the assigned agent a commission decided by the Ministry of Commerce, not to exceed the five percent cap, until such commissions are phased out.

USE OF AGENTS AND DISTRIBUTORS

Bahraini law does not require foreign companies to hire a local agent or partner in order to establish a regional office in Bahrain. A regional office can cover as little as one other Gulf country. U.S. companies setting up regional offices nevertheless find it useful to have some sort of facilitating relationship with a local representative, particularly to deal with the local bureaucracy. While this is a matter of individual company preference, the U.S. Embassy strongly recommends this step.

American firms only interested in marketing products in Bahrain may wish to appoint an "agent." In Bahrain, a commercial agency exists whenever a foreign party appoints a Bahraini party as the exclusive representative of any product or service of the foreign party. Regardless of whether a relationship is structured as a distributorship, sales agency or otherwise, local law will govern it. The appointment of a commercial agent often enables the foreign party to achieve significant market penetration without establishing a direct presence.

The Commercial Agencies Law of 1975 (amended in 1992 and 1998) regulates commercial agencies. The 1998 amendment modernizes the law considerably, bringing Bahrain into line with its WTO obligations. Sole or exclusive agencies have been abolished, so foreign principals now have the option to appoint more than one agent in Bahrain. Additionally, agency agreements can now be written for a fixed term, and the principal has the right to obtain termination of an unproductive agreement.

Traders may import products that have assigned agents on condition that they pay the assigned agent a commission decided by the Ministry of Commerce, but not to exceed five percent. There will be a five-year transition period during which the existing "agent of record" will be paid a commission of up to five percent for imports by third parties. No commission will be required if individuals import goods for their own use and, importantly, industries can now import raw materials and certain other goods without paying a commission.

Use of the term "agent" often raises difficulties from the standpoint of U.S. firms when a contract for an agreement is being drawn up due to definitional differences. The Bahrain Ministry of Commerce has informed the U.S. Embassy that the Bahraini "agent" also can be identified in the contract as "distributor," thereby clarifying what his functions are in U.S. terminology.

Contracts between the Principal and a Bahraini agent should contain the names, nationalities, and assets of the parties, along with a description of the types of products handled. In addition, there is a specific clause in the Commercial Agencies Law that requires the agent to be responsible for providing spare parts and tools needed to maintain and repair any machinery or equipment sold by the agency (Article 3, paragraph h, Legislative Decree No. 10 of 1992).

Bahrain is no different from the rest of the world in that the step of appointing a representative here requires thought and care. Advanced, lengthy investigation by the interested Principal is necessary, but the Commercial Section of the U.S. Embassy can be helpful in this search. A revised commercial law, expected to be in place by the end of 2000, aims to open up the economy to foreign companies and streamline regulation in line with the requirements of the World Trade Organization.

FRANCHISING

About 33 U.S. franchises are already operating in Bahrain. U.S. fast food and restaurant franchises are particularly prized by local companies. Most of the major U.S. fast food franchises are already established in the market and include Burger King (which is replacing Dairy Queen as required by their parent company), McDonald's, Hardees, Kentucky Fried Chicken, Pizza Hut, Dominos, and Fuddrucker's. Restaurants include Ponderosa, Chili's, Schlotsky's Deli, and Trader Vic's.

JOINT VENTURES/LICENSING

Joint venture companies in Bahrain may take several legal forms:

A. Partnership

-- A partnership under a collective name is defined as "an association of two or more persons under a specific name who assume (total)... joint responsibility for the partnership's obligation."

-- Participation by non-Bahraini partners is allowed, with Cabinet approval. A maximum of 49 percent foreign ownership is allowed.

-- These enterprises typically offer professional consultancy or advisory services and may be branches of partnerships already established abroad.

B. Simple Commandite Company

A commandite company consists of two categories of partners: those with unlimited liability and those whose liability is limited to the extent of their capital contributions. The company should be registered with the Ministry of Commerce's Commercial Registry and chartered in accordance with the provisions of Article (26) of the Commercial Companies' Law. The Memorandum of Association need not include the names of sleeping partners but must contain an adequate description of their share in the capital and the value thereof. The Articles of Association should state the "joint partners" and the "sleeping partners" and the former should be Bahrainis. The share of Bahraini partners should not be less than 51 percent of the capital.

C. Company with Limited Liability--WLL

WLL is the most common form of company.

- 100 percent foreign ownership is allowed in the case of industrial companies or of service companies using Bahrain as the center for regional distribution of their manufactured goods or services.
- Although participation by individual foreign investors is permitted, the Bahraini authorities prefer that foreign partnership is undertaken by a company, in which case there must not be less than two and not more than fifty shareholders.
- It cannot issue public shares, negotiate warrants, or conduct saving, banking or investment operations.
- It normally operates for a term of 25 years.
- Shares of equal value must be of at least USD 132.5 each.

Up to 100 percent foreign ownership is allowed for the following companies under certain principal conditions: Exempt Company (Offshore) Resident, Exempt Company (Offshore) Non-Resident, Joint Stock Company (Closed), Branch Office, Representative Office and Company with Limited Liability (WLL). Revision of the Companies Law is currently being debated in the Shura Council and a liberalized law more attractive to business is expected shortly, probably later in 2000.

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

STEPS TO ESTABLISHING AN OFFICE

The Bahrain Promotions and Marketing Board (BPMB) is a government office under the Ministry of Commerce established to assist international and local businesses in achieving their objectives. It offers services to foreign companies wishing to set up businesses in Bahrain, including "fast-track" company registration.

For more information, contact:

Bahrain Promotions and Marketing Board (BPMB):

Tel: (973) 533-886

Fax: (973) 531-117

E-mail: bahrain7@batelco.com.bh

Small and Medium Enterprise Unit (SMEU)

Ministry of Oil and Industry

Dr. Haitham Al Qahtani, Director

Tel: (973) 525-559

Fax: (973) 290-302

Establishing a manufacturing facility, while easier here than in many parts of the world, requires a good local partner. The process can be straightforward, or it can be very complex, depending on the local partner's ability to manage the incorporation strategy

and to finalize necessary arrangements with local authorities. The Ministry of Commerce has begun computerizing registrations, dramatically streamlining the process.

In early 1996, the government of Bahrain launched a Bahrainization campaign by announcing quota requirements for the percentage of Bahraini employees to be employed within a given sector and by firms of varying sizes. Every company must have at least one Bahraini employee; those employing more than 10 workers must increase their Bahraini percentage by 5 percent per year up to the government target of 50 percent; all new projects should be launched with a minimum of 20 percent Bahraini employees, to be increased by 10 percent per year.

Although some private employers still prefer non-Bahrainis on the grounds that they are more productive, cost less for less-skilled work, and not in short supply for skilled jobs. In addition, turnover among Bahrainis is high as they often change jobs in pursuit of higher salaries. Counterbalancing this, in-house policies to train Bahrainis--locally or abroad--can increase a firm's opportunities to receive government incentives such as relaxed visa restrictions. Government contracts and purchase orders are not awarded to companies that fail to fulfill Bahrainization requirements, and companies employing more Bahrainis will receive preferential treatment when government contracts are awarded. Companies failing to meet their targets also may have problems with work permits and visas for expatriate staff members.

SELLING FACTORS/TECHNIQUES

U.S. companies should select a local partner or advisor carefully and should pay attention to resulting advice on advertising, promotion and pricing. Due to local culture and conditions, techniques and phraseology that work in the U.S. may not necessarily be effective here.

Toll-free (1-800) numbers cannot easily be accessed from outside the U.S. American companies who advertise their products and services should try always to include non-1-800 phone and fax numbers in any promotional or informational material, including publications, labels and advertisements. U.S. companies that normally turn off their faxes after business hours should keep in mind that they are potentially losing business from foreign firms; for many of these the business day falls during the U.S. night. E-commerce is on the rise in Bahrain, which has a high percentage of computer-literate people who are quick to recognize the commercial value of the Internet. BATELCO reports that new Internet accounts are being opened at an extremely rapid pace.

Face-to-face contact with importers will significantly increase a company's business prospects. Maintaining that relationship with regular communication is equally important to success. U.S. suppliers should stress U.S. origin, competitive prices, high quality and, if applicable, new-to-market status. Arabic labels are required. U.S. companies willing to print Arabic labels and provide bilingual promotional and marketing assistance will have a competitive edge.

ADVERTISING AND TRADE PROMOTION

Bahrain is a small country, and word of mouth carries considerable weight. The best trade promotion is a reputation for reliability and fair prices. Use of advertising media is increasingly sophisticated and widespread; several internationally affiliated public relations/advertising firms operate in Bahrain, as well as several high quality local firms.

Arabic language newspapers

Akhbar Al Khaleej
P.O. Box 5300
Manama, Bahrain
Tel: (973) 620111
Fax: (973) 624312
Home page: www.akhbar-alkhaleej.com

Al-Ayam
P.O. Box 3232
Manama, Bahrain
Tel: (973) 727111
Fax: (973) 727552
Home page: www.arabian.net/alayam

English language newspapers

Gulf Daily News
P.O. Box 5300
Manama, Bahrain
Tel: (973) 620222
Fax: (973) 622141
Home page: www.gulf-daily-news.com

Bahrain Tribune
P.O. Box 3232
Manama, Bahrain
Tel: (973) 828111/827111
Fax: (973) 827222
Home page: www.bahraintribune.com

PRICING PRODUCTS

Shipping generally adds considerably to the cost of items manufactured in the U.S., which face stiff competition from European and Asian suppliers. This disadvantage is periodically counterbalanced by exchange rate shifts between the dollar and European and Asian currencies. The average importer markup on food products is 10-15 percent. Retail food prices are generally 25-30 percent above import prices.

SALES SERVICE/CUSTOMER SUPPORT

The provision of after-sales service directly affects product reputation. A good agent/distributor relationship facilitating provision of quality service is crucial to success in this market. The opening of warehouses and after-sales offices in the Gulf can help efficient dispatching of goods, thus enlarging the client base. The abolition of the sole-agency law will affect after-sales service in Bahrain. Agents who offer superior after-sales service will have a competitive advantage over the medium and long term

SELLING TO THE GOVERNMENT

It is generally necessary to have a local agent. In a few cases (e.g., sales to the Bahrain Defense Force), however, an agent is not permitted. Even where there is no formal agent, it is advisable to have a local company serving as a point of contact, providing advice and acting as "eyes and ears." It is important to follow the local agent or contact's advice closely in preparing tenders. Tender documents should be presented to the agent or contact for vetting before submission. The local contact's advice on pricing and timing can be extremely valuable and should be carefully considered.

Government tendering procedures for large projects are often not transparent, and U.S. companies have sometimes reported operating at a disadvantage compared with other international firms. Contracts are not always decided solely on a basis of price and technical merit. A local representative with strong connections can be important in the bidding process.

American companies should consider visiting the U.S. Embassy for a commercial briefing and to discuss your products/services in advance of bidding for a Government of Bahrain project, or indeed before engaging in any local venture. Legal advice may also be appropriate.

PROTECTING YOUR PRODUCT FROM IPR INFRINGEMENT

Bahrain's removal from the 1999 U.S. Special 301 Watch List--and subsequent omission from the 2000 list--was in recognition of greatly enhanced IPR protection in Bahrain. The government has made dramatic progress in reducing copyright piracy; patent and trademark protection has always been strong and there continue to be no reports of significant violations of U.S. patents and trademarks in Bahrain. The government's copyright enforcement campaign--based on inspections, closures, and improved public awareness--began in late 1997 against the video industry, followed by the audio and software industries, with impressive results. The commercial pirated video and audio markets are nearly gone and sales of legal products--including computer software--are up.

Bahrain is a founding member of the WTO, and is in the process of becoming fully TRIPS-compliant. The country signed the Berne Convention for the Protection of

Literary and Artistic Works and the Paris Convention for the Protection of Industrial Property in 1996.

For more details about copyright protection in Bahrain, contact the U.S. Embassy or Jamal Dawood Salman, Acting Director of Publications and Press, Ministry of Cabinet Affairs and Information at (973) 717-525.

NEED FOR A LOCAL ATTORNEY

Although it is not technically necessary to use a local attorney to draw up agency and sales agreements, it is generally advisable to do so. The U.S. Embassy can provide a list of local attorneys. Many well-known international, including U.S., law firms have offices in Bahrain.

V. LEADING SECTORS FOR U.S. EXPORTS AND INVESTMENT

INTRODUCTION

Oil wealth, both its own and its neighbors', fueled Bahrain's rapid infrastructure development, the development of its manufacturing base, and the evolution of its international status as a financial and business center for the Gulf. With the rapidly growing population placing greater demands on government resources, government-financed investment is diminishing and Bahrain is looking to the private sector to pick up the slack. The government is considering allowing private investment in some major future infrastructure development projects (such as Hidd Phase II, see below), and is already encouraging private development of projects like schools and hospitals.

Due to the generally untaxed nature of Bahrain's economy, certain data are not available. Service sector market values, in particular, are not tracked or quantified by any private or government organization. Where such data are not available, we have supplied other information to indicate market size and trends.

Although the Amir has stated that no "essential services"--which many have taken to mean water, electricity, etc.--will be privatized, this may be creatively interpreted as economic necessity forces change. Small-scale privatization is already underway, such as the meat processing industry and the small public bus network. The government has told the public that it is considering three ways of privatizing the water and power services, but prices for consumers will be kept at current very low levels. The government substantially subsidizes the cost of utilities. Electricity is produced at USD 0.038 a unit and sold at USD 0.028 per unit (about 70 percent of cost). Water is produced at USD 0.74 per cubic meter and is supplied at USD 0.14 per cubic meter (about 15 percent of cost). The government may transfer projects owned by the Ministry of Electricity and Water to a shareholding company, in which it will hold 51 percent. The second option is to set up a commercial entity to run the facilities under government administration. A more radical change would be to completely privatize the assets,

operations, and maintenance of the facilities and for the government to buy water and power from the private sector. See the next section for a detailed discussion of potential power and water privatization; contact the Embassy for an update on privatization efforts in Bahrain.

ELECTRICAL POWER SYSTEMS

With demand for electricity projected at 1,600 MW by 2005 Bahrain will need significant new power capacity beyond the government's current upgrading program. Chief among these opportunities will be construction of Phase II of the Hidd Plant that will provide significant prospects for U.S. companies with track records in the region.

The current total installed government power generation capacity in Bahrain is 1,540 MW. ALBA provides another 275 MW on standby from its 1,505 MW power station. Demand during the peak summer months before Hidd Phase I came on line this year was so close to capacity that the government was forced to draw on it regularly. The consumption of electricity per capita in Bahrain is about 7,000 units a year. Domestic consumption accounts for 66 percent of demand, industries 15 percent, and commercial establishments 19 percent. Some industries use natural gas to produce their own power.

Demand is growing by an average of five percent annually and is projected to outstrip even the expanded capacity resulting from upgrades and Hidd Phase I by 2002 due to economic expansion and high population growth. Demand for electricity peaked at 1,200 MW in 1999 (before Hidd came on line), up from 1,159 MW in 1998. According to the Ministry of Electricity and Water (MEW), peak demand is expected to reach 1,280 MW during summer of 2000. Adding the proposed Phase II expansion would bring total production to 2,070 MW in 2004, subtracting power from the aging Manama plant which is scheduled for shutdown that year. This increase would accommodate industrial expansion from the increased foreign investment Bahrain is working to attract.

The recently completed Phase I of Hidd Plant comprises two 140 MW gas turbines and four 7.5 million gallon-a-day multi-stage flash (MSF) desalination units. Phase I was built in mid-1999 on a reclaimed area of 500,000 sq. meters. A consortium comprising ABB Power Generation of Switzerland, ABB SAE Sadelmi and Fisia Italimpianti of Italy executed the plant.

According to the MEW, the second phase will consist of the construction of a combined cycle or steam turbine plant to produce an additional 630 MW by 2004. This capacity is net; the plant will be expected to generate waste heat to fuel a desalination plant to be built in two years that will produce 60 million gallons of water per day at a performance ratio of 8.5. The configuration of turbine units will be up to the contractor; minimum size is to be 100 MW, maximum size 270 MW. Phase II will also include the expansion of Hidd 220-kV substation to handle the new power. This will include all the associated 220-kV switchgear as well as the generator transformer. In April 2000 the MEW awarded Ireland's ESB International the USD 2.2 million consultancy contract for the construction of Hidd Phase II. ESB will prepare technical specification and tendering

documents and will carry out pre-qualification for companies to be invited by the government. ESB will also carry out bid evaluation and submit recommendations to award the project. The project is to be tendered during the second half of 2000 and awarded before the end of 2000. Construction work is expected to start by 2001.

The Minister of Electricity and Water and other top government officials have assured the Embassy that the government is very interested in having leading U.S. companies with experience in the Middle East bid on the project. Moreover, the government has offered its assurances that the process will be more transparent than the one for Phase I.

Other projects associated with the Hidd project include the MEW power network to upgrade the transmission and distribution network, which is under immense pressure during the summer. Five contracts worth a total of USD 83.4 million have been awarded to three international and local firms for the supply and installation of 12 new 66-kV substations and power cables, and the refurbishment of 10 existing 66-kV substations. The winning firms were: Alstom of France--design, manufacture and installation of switchgear; the European ABB--supply of transformers and associated equipment; South Korea's LG Group supply of 100 kilometers of power cables; the local AA Nass Contracting--installation of equipment and cables. Work is to be completed in early 2003. Two are to be installed at both Hidd and ALBA industrial areas, and one each at Tubli, Buhair, Sanad, Bahrain International Airport, Awali, Sar, Juffair and Salmabad.

Bahrain pursued a proposal from British Gas in the early 1990s to build the Hidd station as a private project, but talks foundered over pricing; reportedly the risk premium was the main sticking point. Tariffs for power and water cover substantially less than the current cost of supply, especially for water. The Ministry of Finance is looking at a more radical step and had invited several financial organizations to present proposals to take over completely Phases I and II of Hidd. Under the scenario, transmission and collection would remain the responsibility of the government, which would buy the power from Hidd. The winner would need to include a partner to build, operate and maintain the facilities. Discussions are already underway with U.S. and other firms. The cabinet is divided over the proposal and no decision is expected soon. Meanwhile, the MEW is proceeding with its plans to build the plant itself.

Riffa Power Station Upgrade

The MEW has appointed the U.S. firm Kuljian Corporation as consultant for the upgrade of the Riffa power station. Tender documents for the project were to be issued during the first quarter of 2000 but as of June 2000 had not been released. The Riffa power station, with an installed capacity of 709 MW, was commissioned nearly 20 years ago and built by Germany's Siemens. The estimated USD 50 million upgrade is aimed at extending the life of the five 50 MW gas turbines.

The Gulf Cooperation Council (GCC) Power Grid Project

The grid, under discussion for years, is intended to help the Gulf States to maximize existing power facilities and better distribute power, thus making the generation of electricity more economical. The first phase of the project will link Bahrain, Saudi

Arabia, Qatar and Kuwait, followed by a second stage, which will include Oman and UAE. The third stage will help countries such as Oman to complete their electricity infrastructure. The estimated cost of the first phase of the project is USD 2.2 billion. The four states (Bahrain, Kuwait, Qatar and Saudi Arabia) would be required to contribute USD 870 million as equity while the rest will come from commercial loans. Bahrain will have to contribute USD 99 million, including an initial contribution of USD five million.

Under the terms of the load-sharing arrangement of the grid, Bahrain will be given an allocation to take or provide a load factor of 600 MW through the Al-Jasra substation that will be connected to Saudi Arabia's Ghunan plant near Dammam via a 90 kilometer, 220-kV line. The link will consist of 60 kilometers of overhead line and 30 kilometers of submarine cable. Bahrain is expected to be a net user as power demand is expected to outpace domestic production capabilities in the short and medium term.

The project is still in the planning phase and is not likely to come on line before 2004 at the earliest, depending on the availability of financing. Considering the track record of other GCC cooperation efforts, it may remain in the planning phase for some years to come.

Key Subsectors (USD million)

Parts for Gas Turbines (HS 84119900)

	1998	1999	2000 (Jan-June)
Total Imports	19.72	9.23	5.43
U.S. Imports	3.13	1.25	0.45
U.S. market share	15.9%	13.5%	8.3%

Non-Insulated Electric Wire and Cable (HS 73121010)

	1998	1999	2000 (Jan-June)
Total Imports	4.55	0.14	0.52
U.S. Imports	0.0	0.10	0.0
U.S. market share	0.0%	71.4%	0.4%

Instruments for Measuring Voltage (HS 90303900)

	1998	1999	2000 (Jan-June)
Total Imports	0.21	0.11	0.04
U.S. Imports	0.08	0.02	0.01
U.S. market share	38.1%	18.2%	0.3%

(Source: The Central Statistics Organization, Government of Bahrain.)

See Chapter XIII, Trade Event Schedule, for information on upcoming conferences and exhibitions in the electrical power sector.

WATER RESOURCES EQUIPMENT/SERVICE

Bahrain is a desert island nation on the Zone C aquifer that for centuries supplied artesian water to a head of 30 feet. This aquifer stretches all the way to Riyadh. Many years of heavy demand in Saudi Arabia and Bahrain have significantly depleted it, threatening its long-term viability and allowing seawater to infiltrate the reservoir. The construction of the causeway also reportedly penetrated the bedrock, further damaging the aquifer. The "sweet water" for which Bahrain was long famous is now brackish and requires treatment before use for drinking or as process water for industry.

Bahrain currently uses 150 million gallon of water a day to meet its ever-increasing demand. The local water supply comes mainly from non-renewable groundwater abstraction. Heavy dependence on groundwater resources, particularly for agricultural development, however, has led to over-drafting the aquifer beyond its natural renewal capacity. Approximately 70 million gallons, desalinated and blended, are for drinking purposes. The rest is used by industries, agriculture, and private gardens. Pilot projects are underway for treated effluent to be used in irrigation; the government eventually aims for all agricultural water to be produced this way.

The MEW's program to upgrade its power, desalination and effluent treatment infrastructure will provide opportunities for U.S. companies.

Sitra Power and Water Station Upgrade

The MEW is planning to spend an estimated USD 50 million on the rehabilitation and upgrade of Sitra Power and Desalination Plant. The consultant to the MEW, appointed in 1997, is Germany's Fichtner. In December 1999 five international firms submitted new bids for the project. The MEW invited two new companies, Italy's Fisa Italmimpianti and Japan's Sasakura Engineering Company, to bid for the project after prices submitted in August 1999 by the original bidders--Zurich-based ABB Asea Brown Boveri, Italy's Ansaldo Energia and Germany's Deutsche Babcock--exceeded the budget. As of June 2000 no contract had been awarded. The project involves the upgrade of the plant's four 25 MW steam turbines, boilers, and distillers to increase desalination capacity by 2.5 million gallons of water per day. The Sitra plant, currently running below capacity, has the potential to produce 126 MW of power and 20 million gallons of water per day.

Ras Abu Jurjur Reverse Osmosis (RO) Plant Expansion Project

The capacity of the Ras Abu Jurjur plant, commissioned in 1984, is 10 million gallons per day. The original plant consists of seven reverse osmosis (RO) trains, which were supplemented by an eight-train addition in 1994. Under the expansion scheme, two additional RO trains will be installed, increasing total plant production capacity to 15.8 MGD gallons. In August 1998 the MEW awarded a USD 755,000 contract to Kuljian Corporation of the U.S. to prepare engineering designs, technical specifications,

tendering documents, pre-qualification of contractors, evaluation of bids, and site supervision of the intended scheme, for which a cost estimate has not been given. No tender documents have been issued as of June 2000. The government has had many problems with RO technology for large water facilities to treat its extremely saline water; it clearly prefers mult-stage flash (MSF) technology at this point.

Tubli sewerage plant

The Works and Agriculture Ministry has appointed the local/Lebanese ACE-Almoayed Consulting Engineers as consultant for the Tubli sewage plant project to produce treated effluent for use in irrigation. The contract is valued at USD two million, and design work has been completed. The decision to extend the plant followed from a report prepared for the government by Engineering Science of the U.S., which recommended the increased use of water from treated effluent for irrigation to conserve ground water.

The USD 23 million first package, awarded to a partnership of the local Habib Ali Awachi and Britain's Wabag, involves raising the capacity of the secondary effluent plant to 200,000 cubic meters a day (cm/d) from the present 120,000 cm/d. The Works and Agriculture Ministry is funding the work through a USD 33.3 million loan signed in March 1998 with the Kuwait Fund for Arab Economic Development.

The Tubli expansion project involves 13 other packages. One package will be awarded for the tertiary treatment plant and one for the sludge treatment plant. Three packages will be awarded for expansion of the transmission network; five for expansion of the distribution network and one for expansion of the drainage system. The Works and Agriculture Ministry is scheduled to award the USD 20 million package three contract for the upgrade and rehabilitation of the tertiary treatment plant. On the other hand, bid evaluation has begun at the Works and Agriculture Ministry for the eighth package on the Tubli sewage plant expansion project. Thirteen contractors submitted prices in mid-February 2000 for the USD 6.3 million package, which involves the installation of 12 kilometers of glass reinforced pipes in Hamala, Dumistan and Jasra.

The total cost of the expansion program, scheduled for completion by 2001, is estimated at USD 118 million.

ALBA Desalination Plant Project

Aluminum Bahrain (ALBA) has signed a USD 400 million contract with Germany's Mannesman KTI for the construction of a calcining coke plant. The project includes the construction of a desalination plant with a capacity of 43,000 cubic meters a day. The plant will use waste heat from the coke plant to generate desalinated water, which will be made available to the MEW. This project will provide the government water network with 41,000 cubic meters of potable water daily. Entropie, part of the British Weir Group, won the USD 26 million contract to supply the desalination plant and its associated seawater intake system.

Key water subsectors (USD million)

Distilling or Rectifying Plant (HS 84194000)

	1998	1999	2000 (Jan-June)
Total Imports	0.01	0.28	0.05
U.S. Imports	N/A	0.28	0.00
U.S. market share	N/A	100%	0%

Water Filtering Machinery (HS 84212190)

	1998	1999	2000 (Jan-June)
Total Imports	3.41	1.61	0.89
U.S. Imports	0.64	0.27	0.10
U.S. market share	18.8%	16.8%	11.2%

Water Filtering Apparatus (HS 84212110)

	1998	1999	2000 (Jan-June)
Total Imports	0.16	0.09	0.03
U.S. Imports	0.0	0.03	0.01
U.S. market share	0.0%	33.3%	33.3%

(Source: The Central Statistics Organization, Government of Bahrain.)

See Chapter XIII, Trade Event Schedule, for information on upcoming conferences and exhibitions in the water sector.

FINANCIAL SERVICES

Bahrain continues to be regarded as the financial and banking center of the Middle East. Bahrain's attraction as a financial center is based on its established offshore facilities, free foreign exchange movement, tax-free status, stable Bahraini Dinar-USD foreign exchange rate, established insurance sector, modern telecommunications systems, and prime geographical location among the GCC countries.

The Bahrain Monetary Agency (BMA)--the central monetary institution--inspires confidence as it is viewed as a strong and independent regulatory organization. The BMA is responsible for the licensing, supervision, and regulation of all banks and financial institutions, including information technology operations. The BMA's regulatory regime adheres to international standards. This, combined with Bahrain's other social, political and cost advantages, leads many financial services investors and businesses to consider it as a regional base.

In March 2000 total domestic assets amounted to USD 11.3 billion and foreign assets reached USD 93.9 billion, resulting in a consolidated balance sheet of USD 105.1 billion. As of February 2000, Bahrain had 19 full commercial banks, two specialized banks, 48 offshore banking units, 33 investment banks, 36 representative offices, one investment advisory and other financial services, 11 investment advisory and other financial services, one provider of ancillary services to the financial sector, 18 money changers, and six money brokers.

The Bahrain Stock Exchange (BSE) opened in June 1989 and lists 40 companies with a market capitalization of roughly USD 7.2 billion. The exchange is heavily dominated by commercial banks, investment firms, and insurance companies. The top three firms--Investcorp, the Bahrain Telecommunications Company (BATELCO), and the Arab Banking Corporation--account for about half of the exchange's total capitalization. It includes cross-listings of several Omani and Kuwaiti companies. The exchange is open several hours a day, five days a week, and averages nearly 100 transactions per day. Equities, bonds, mutual funds, and currency warrants currently are the listed securities and instruments. Important steps have already been taken to open the exchange to non-Bahrainis, including allowing GCC nationals up to 100 percent foreign ownership and up to 49 percent ownership by non-GCC nationals. The new law allows the Minister of Commerce to increase this percentage according to demand and the state of the local economy. Under the terms of the BIT, U.S. investors will soon gain MFN treatment.

Although the Board of Directors is chaired by the Minister of Commerce, the BSE operates as an independent corporate entity. The government set a strong legal framework for the BSE and continues to take a cautious approach in order to protect the BSE from the potentially destabilizing effect of short-term, "hot money." The BSE's objectives are to develop both primary and secondary capital markets, and to develop and rationalize trading methods to ensure secure dealing conditions. The BSE also intends to establish links between itself and other international stock exchanges, as well as to increase and to encourage investment savings.

Foreign or non-Bahraini companies listed on the BSE must either be joint stock companies or closed companies that have been incorporated at least three years prior to listing. Companies also must have a paid-up capital of at least USD 10 million and have been making net profits from their principal activity three years prior to listing. Companies should not restrict transfer of its shares and must issue annual audited balance sheets reports biannually. Companies should also open representative offices in Bahrain or have some kind of legal representation, thus enabling them to register shares and pay dividends.

In September 1999 the BSE was included in the Washington-based International Finance Corporation's (IFC) Global Index and the IFCG Composite Index. The IFCG Bahrain index comprises the 15 most active companies on the BSE and covers around USD 5.1 billion of market capitalization at current prices.

The government of Bahrain has identified Islamic banking as one of the main economic growth areas in the coming five years. Islamic banking has similar principles to conventional banks, with the only exception that they must conform to Shariaa, or Islamic law. Islamic finance prohibits charging interest for the use of money, and disallows dealing in prohibited commodities. Islamic banking falls under four main categories. Murabha is cost-plus financing--i.e., buying a product from a supplier and selling it to a customer for a profit. Musharaka is a profit sharing system that is similar to equity participation. Ijara involves leasing and Istisna is the financing of construction of manufacturing.

Islamic banking is growing rapidly in the region and is attracting investors due to its profit potential in addition to religious and ethical factors. Islamic banking is playing a significant role in the financial and economic development of the Gulf countries. Although there are 176 Islamic banks worldwide--mainly concentrated in Southeast Asia and Africa--the Middle East dominates in terms of capital. According to the Union of Islamic banks, the Middle East region accounts for only 27 percent of all Islamic banks, but 74 percent of the capital, 70 percent of total assets, 73 percent of deposits, 65 percent of reserves, and 69 percent of net profits.

Bahrain's claim to be the hub of the Islamic banking market in the region has strengthened throughout 1999 and 2000 with the opening of new banks as well as the profit reports and mergers of a number of other Islamic financial entities. Seventeen of 30 Islamic banks in the Gulf region are located in Bahrain. The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) set up its headquarters in Bahrain due its primary role in regional Islamic banking. In November 1999 Bahrain signed a Memorandum of Understanding with Lubuan, the offshore financial center in Malaysia, and the Jeddah-based Islamic Development bank to create an International Islamic Money Market. In an effort to create a secure market the BMA has issued regulations specifically for Islamic banks to prevent and detect institutional weaknesses.

Many Islamic banks have reported profits in 1999. Economists around the Gulf have called for such mergers to form and strengthen financial instruments to better compete in the international financial services industries. This trend has already begun with the merger of Faisal Islamic Bank and the Islamic Investment Company earlier this year.

Financial Subsector (USD billion)

Offshore Banking Units (OBUs)

	1998	1999	March 2000
Total domestic assets	3.6	3.8	4.1
Total foreign assets	84.1	84.4	87.0
Total domestic liabilities	5.4	5.8	5.8
Total foreign liabilities	82.2	82.3	85.2
Consolidated Balance Sheet	87.6	88.2	91.0

Full Commercial Banks (FCBs)	1998	1999	March 2000
Total domestic assets	5.5	6.65	6.5
Total foreign assets	3.25	3.4	3.7
Total domestic liabilities	7.2	7.6	7.7
Total foreign liabilities	1.5	2.3	2.5
Consolidated balance sheet	8.7	9.9	10.3
 Investment Banks (IBs)			
	1998	1999	March 2000
Total domestic assets	0.5	0.7	0.7
Total foreign assets	2.6	3.3	3.2
Total domestic liabilities	0.7	1.1	1.2
Total foreign liabilities	2.4	2.9	2.7
Consolidated balance sheet	3.1	4.0	3.9

(Source: Bahrain Monetary Agency)

TELECOMMUNICATIONS/IT SERVICES AND EQUIPMENT

Telecommunications

Telecommunications are intrinsic to Bahrain's success as an international business and financial center. In order to sustain its position as the center of the Gulf's financial marketplace, Bahrain has dramatically expanded its already sophisticated and competitive telecommunications network to become a regional communications hub.

Bahrain Telecommunications Company (BATELCO), the majority state-owned telecommunications company, is central to Bahrain's telecommunications capabilities, and is the monopoly service provider for local, long distance and Internet communications. BATELCO was established in 1981 as a shareholding company and is 37 percent government-owned. Cable & Wireless (C&W) of the U.K. owns 20 percent and the remaining 43 percent is held by investors on the Bahrain Stock Exchange.

According to BATELCO figures, every household in Bahrain has at least one telephone. The fixed line penetration stands at 24 per 100 of the population. Market penetration for mobile lines is 25.3 per 100 population. As for Internet users, market penetration is 5.6 per 100 population. Public phones that are operated by coin, phone card or credit card are widely available throughout Bahrain.

BATELCO's profits in 1999 rose by 11.6 percent to USD 127.6 million due, primarily, to the increase in demand for mobile phones and Internet access. In turn, the company is cutting rates to further boost demand. International call tariffs were reduced in March 2000. Similarly, charges for Internet installation, registration, monthly access, regular

usage charges, Inet prepaid cards, and Inet 900 services, while still high, were reduced in June 2000. In July 2000 charges were cut in International Leased Circuit (IPLC), International Managed Private Lines (IMPL) by an average of 14 percent, Global Managed Data Service (GMDS) by an average of 31 percent on routes to Europe, North America and South East Asia, and 2000 Integrated Messaging Services (IMS).

BATELCO's communication services include Global System for Mobile (GSM), paging, Internet access, FaxMail, Integrated Services Digital Network (ISDN), Maritime Communications, International Direct Dialing (IDD), and video conferencing. In 1998 it added Corporate Messaging Services, Pre-Paid Calling Card, Fax Plus Package, and Call Control Barring. BATELCO hired a U.S. auditing firm to recommend improvements in Internet systems and is now spending USD 4 million to expand capacity to 40,000 users and to add new technologies, networks and value-added services such as ISDN Internet access and, Internet roaming. BATELCO also developed and launched its own electronic commerce platform in September 1999, a service called Altijara.com.

In January 2000 BATELCO signed a USD 256 million contract with Marconi Communications to expand BATELCO's synchronous digital hierarchy (SDH) network management system. BATELCO believes that this deal will consolidate its continuing efforts to modernize its network as well as further enhance its services to meet customers' needs. In May 2000 BATELCO announced the introduction of Wireless Access Protocol (WAP) by December 2000 in preparation for the introduction of the new global system International Mobile Telecommunication-2000 (IMT-2000). The WAP system will offer users unlimited global roaming, access to the World Wide Web, and e-commerce.

In May 2000 BATELCO and Sabre Technologies signed a digital-technology based service agreement to ensure high-quality maintenance of all Gulf Air's telecommunications. In April 2000 BATELCO signed a USD 2.65 million contract with Marconi Communications to expand BATELCO's ATM, thus enabling it to change from voice centric circuit switching to data centric packet and cell switching.

In December 1999 BATELCO signed a USD 3.7 million contract with the Swedish company Ericsson Telecom AB for the supply and installation of an Intelligent Network (IN) platform to support the PrePaid Calling Card (PPCC) service. Also in December BATELCO signed a USD 19.9 million contract with Ericsson Radio AB to expand the existing GSM capacity to 230,000. During December 1999 BATELCO introduced a new ISDN link to the USA via AT&T. In November 1999 BATELCO launched the Inet PrePaid service that enables customers to access the Internet through personal computers using the prepaid cards; customers no longer pay registration and subscription fees.

Despite the obvious benefits to the economy were additional ISPs allowed, BATELCO is expected to remain a monopoly for some time to come. Its success creates rising demand for the latest products and services, and its customers recognize U.S. products and services as world leaders.

Information Technology

A substantial and rising percentage of Bahrain's consumers are computer-literate and receptive to frequent upgrades. The government is engaged in an ongoing process of transferring all ministries and departments out of ledger books and into an integrated financial management information system and communications network. Private consultants have been hired and several government ministries have issued tenders for new computers. Several ministries have already set up websites. The government is procuring computers for use in schools in increasing numbers to meet rising demand from parents.

Bahrain has seen demand for Internet access grow sharply since the 1995 launch of Inet, the local Internet node. This has boosted retail sales of hardware and software, and sparked greater demand for consumer applications and specialist services. The personal computer market is broad and highly competitive. Shops vie for business supplying consumers with impressive arrays of hardware, software, and peripherals. Margins are very narrow, and high-spec equipment appears to have the edge in salability.

Most PCs marketed in Bahrain are imported from Asia. Demand for U.S. hardware exists, but retailers attribute Asia's dominant market share to lower prices, quality products, easier customs, reduced paperwork, quicker shipping, and cheaper freight prices. American software sells well and sales are up since the government launched its campaign against piracy. Bahrain was deleted from the U.S. Special 301 Watch List in 1999 and remained off the list in 2000. American computer products imported into Bahrain, whether software, hardware, or peripherals, enter mainly via neighboring Dubai.

Key IT subsectors (USD millions)

Digital processing units, with CPU

	1998	1999	Jan-April 2000
Total imports	1.02	2.14	1.169
U.S. imports	0.45	1.47	1.07
U.S. market share	44.1%	68.7%	92.2%

Storage units for computers

	1998	1999	Jan-April 2000
Total imports	0.37	0.34	0.04
U.S. imports	0.10	0.04	0.01
U.S. market share	27.0%	11.8%	25.0%

Other ADP machinery

	1998	1999	Jan-April 2000
Total imports	0.51	0.15	0.11
U.S. imports	0.03	0.03	0.11
U.S. market share	5.9%	20.0%	100%

Computer magnetic discs

	1998	1999	Jan-April 2000
Total imports	0.14	0.12	0.05
U.S. imports	0.07	0.06	0.01
U.S. market share	50%	50%	20%

(Source: The Central Statistics Organization, Government of Bahrain.)

E-Commerce

Bahrain is not immune to the lure of e-commerce, and the government is plotting a strategy on how best to position the country as a leading regional player in this field. Internet services--provided by BATELCO, the monopoly ISP in Bahrain--continue to rise due to consumer demand and a growing awareness of the commercial and communications advantages that the web offers. As of July 2000, there were 30,000 Internet subscribers in Bahrain. BATELCO offers world-class connectivity via ISDN or 56k v.90 connections and continues to offer new Internet services such as wireless access protocol (WAP) and online billing. To spur further expansion and acceptance of the Internet in Bahrain, in June 2000 BATELCO slashed monthly subscription rates from USD 20 to USD 8.

Three ministries are coordinating the development of policies governing e-commerce in Bahrain. The Ministry of Finance is working to ensure that amendments to the banking laws that permit on-line credit card transactions do not undermine the integrity and security of the financial sector. The Ministry of Commerce supports e-commerce as an extension of Bahrain's historically open economy, and announced in April 2000 that it had just completed a draft law on e-commerce that is now under consideration by the cabinet. The Ministry of Transportation, by virtue of its control over BATELCO, exercises control over the hardware for Internet connectivity in Bahrain.

The government recognizes that it needs to draft and implement a comprehensive e-commerce law--such as the draft law under review by the Ministry of Commerce--to make e-commerce more secure and trusted by local traders and consumers. For example, Bahraini courts do not yet recognize digital signatures in electronic transactions and on-line credit card transactions are not permitted.

As of June 2000 there were few businesses in Bahrain offering business-to-consumer or business-to-business (B-to-B) services. The most prominent is Bahrain Tradanet (BTN),

which opened in August 1999 to provide B-to-B services--such as automated inventory control and electronic integration with suppliers--to all sectors of the economy. BTN is a subsidiary of Gulf Tradanet, an e-commerce development company that in turn is a joint venture between GE Information Services and NESMA, a Saudi ISP. BTN has a twenty-five-year franchise license with Bahrain's Civil Aviation Affairs to establish and maintain an e-commerce infrastructure for the electronic handling of cargo documentation, electronic handling of cargo reservations, airway bill transfer, and consignment tracking services for incoming and outgoing cargo.

The rise of e-commerce in Bahrain will offer many commercial opportunities for U.S. telecommunications and IT companies. Local businesses involved in e-commerce agree that U.S. expertise and investment is needed to boost e-commerce, including in designing and maintaining a web site, marketing and sales, after-sales service, and training. Bahrain has a solid infrastructure to support high-tech companies and Bahrain remains committed to protecting intellectual property rights.

Computer illiteracy, technophobia, entrenched business interests, and a general fear of change will continue to dampen a broad acceptance of e-commerce in the short run. These challenges, however, could present unique opportunities to firms that offer training programs. The introduction of a competing ISP to BATELCO would lower costs, promote innovation, and drive a greater customer-service orientation. Clear rules and policies--especially permitting on-line credit card purchases--are also essential to gaining acceptance by a wary private sector and winning the confidence of consumers.

See Chapter XIII, Market Research and Trade Events, for information on upcoming conferences and exhibitions in the telecommunications and information technologies sectors.

TOURISM

The government has identified tourism--particularly conference-related, family oriented and ecological tourism--as a major source of revenue in the coming years. This initiative will entail upgrading and expanding Bahrain's existing tourism sector that includes--in addition to an impressive array of hotels and associated facilities--restaurants, a wildlife park, museums and archaeological sites, western-style shopping malls, cinemas, American restaurant franchises, and golf courses. Several new resorts are underway and there is popular demand for building more public beaches. Government officials believe that tourism is the fastest growing sector in Bahrain and consider it a primary source of income and employment. Government studies show that tourism currently accounts for over 10 percent of GDP and 17 percent of the workforce.

According to the Assistant Undersecretary for Tourism Affairs, a total of 3.3 million tourists and other passengers visited Bahrain via the King Fahad Causeway and the Bahrain International Airport in 1999. The figures are projected to rise significantly in 2000. The Bahrain Promotion and Marketing Board (BPMB) predicts that the strengthening of the regional economy due to high oil prices, as well as the new Regional

Visitor Program (RVP) that targets nationals of the GCC countries, will help attract tourists and visitors into the country.

Trade and investment opportunities are available for American companies as the government looks to upgrade facilities to accommodate more tourists and provide improved services. Improved traffic control and parking, information centers, and rest areas, are needed at nearly every beach and historical site. Bahrain's top hotels are aging and beginning to undergo extensive renovations. In addition to the major projects listed below, Bahrain also presents a market for arcade games, indoor playground equipment, and rides for play areas across the country. Due to the intense summer heat, there is a significant demand for indoor recreation facilities; nearly every mall and fast food outlet has a video arcade and play area.

Al Dana Beach Resort

Al Dana Beach Resort--a sea-front resort near the old Muharraq causeway--is a joint Saudi-Bahraini project worth USD 22.6 million that will be financed by investors from both countries. The resort will include 180 chalets, three restaurants, health clubs, and parking for 775 vehicles. The project will create 250 job opportunities, mainly for nationals. Construction is to be completed by December 2001.

The Gulf Pearl Resort

The Gulf Pearl Resort, which will entail a total investment of USD 800 million, will be located on a twenty square kilometer lot along the southern coast of the country. The area previously had been off-limits to commercial construction, but Amir Hamad Al Khalifa personally authorized opening the region for development. The project is divided into three phases: infrastructure development; chalet and basic services' construction; and entertainment, and recreation and entertainment construction. The project--expected to be the largest beach resort in the Gulf--is expected to be completed by mid-2003. The new company responsible for building and running the facility is equally owned by the Government of Bahrain and Dallah Real Estate and Tourism Co., which is part of the Saudi Dallah Al Baraka Group.

Al Dar Island

Al Dar Island is a popular destination for outings in Bahrain. The owners, both members of Bahrain's ruling family, have started dredging, reclaiming, and extending land around the north and east of the island in order to build a USD eight million resort. The owners are planning to build chalets, a docking facility, a clubhouse, a seafood restaurant, picnic and beach areas, an artificial reef, and an outdoor swimming pool. The resort will be built in phases, the first of which is to be completed by early summer 2001.

A major weakness confronting the government's bid to attract visitors is the dearth of public beaches in Bahrain. Most beaches are too rocky, polluted, or are privately owned. In an effort to remedy this situation, in May 2000 the government and the Bahrain Family Leisure Company began researching the possibility of developing Al Jazayer beach to attract international tourists; the beach will be fully open to the public. The proposal calls for restaurants and upgrading the chalets with amenities such as air-conditioners and

chairs. Bathrooms, changing rooms, fresh-water shower facilities, and entertainment facilities such as water slides and swings are also under consideration. No final plans had been released as of July 2000.

The demand for U.S. restaurant franchises remains strong in Bahrain as fast-food and family dining are very popular. As of June 2000, over 20 U.S. franchise restaurants and food outlets were operating in Bahrain, including: Baskin Robbins, Burger King, California Cheesecake, Chili's, Dairy Queen, Domino's Pizza, Donut Inn, Fuddruckers, Gorin's Homemade Ice Cream & Sandwiches, Gyro Wraps, Hardees, Hard Rock Café, Hol'N'One, Kentucky Fried Chicken, McDonald's, Mrs. Field's Cookies, Pizza Hut, Ponderosa, Round table California Pizza, Schlotzsky's Deli, Taco Maker, TCBY, and Trader Vic's. Bennigan's and Johnny Careno's are expected to open by spring 2001.

See Chapter XIII, Trade Event Schedule, for upcoming conferences and exhibitions, and contact information for show organizers and venues.

MEDICAL EQUIPMENT

There is no medical equipment manufacturing in Bahrain so all equipment must be imported. Despite financial constraints, the government continues to give priority to health services. Health facilities and services fared well in the government's 1999-2000 budget as USD 310 million was allocated to the Ministry of Health, a 5.7 percent increase over the previous budget cycle. In the future, however, it is likely that the private sector will assume a growing role in the health sector in Bahrain as the government looks to privatize various health services and facilities.

Bahrain has long depended on U.S. suppliers for medical equipment, importing USD 3.4 million in 1999, and USD 3.2 million in 1998. From January-June 2000 medical equipment imports from the U.S. amounted to USD 1.4 million. Several current projects present opportunities for U.S. suppliers of medical equipment.

The Sulmaniya Medical Complex

The Ministry of Health is developing a five-year plan to upgrade or replace the existing medical equipment at the state-run Sulmaniya Medical Complex (SMC), Bahrain's most comprehensive hospital. Approximately USD 13 million will be spent on the project, which is expected to be completed by 2002. About USD 2.6 million has been allocated for replacement equipment in 1999 and nearly USD 3.7 million is allocated for 2000.

American Mission Hospital

Work on the American Mission Hospital building is on track for completion in July 2000. The USD 3.35 million extension involves the construction of a 4,500 square meter, five-story building with 40 inpatient beds, catering services, a laboratory, and biomedical engineering and administrative services. The structure is being built on a 1,000 square meter plot of land opposite the existing facility. The hospital has held an annual fundraising golf tournament the past four years to help raise capital for the expansion.

The Bahrain Specialist Hospital Company

The Bahrain Specialist Hospital Company (BSHC) has signed a USD 12.7 million agreement with the owners of the defunct Sonesta Beach Hotel to convert the site to a hospital. BSHC is a closed shareholding company, established in May 1995, under the control of one of Bahrain's leading business families, the Zayani's. Its objective is to provide healthcare facilities in Bahrain comparable to western countries with state-of-the-art diagnostic and laboratory facilities. BSHC has an agreement with Joint Commission Worldwide Consulting of Chicago to provide its expertise in relation to clinical functional design, planning, commissioning, manpower and equipment for the hospital. The design to convert the uncompleted hotel to a hospital has been completed. The hospital is scheduled to open by the end of 2000.

The new hospital, described by BSHC as "a twenty-first century American-standard private hospital," will include:

- 78 patient rooms, well furnished and equipped;
- 36 specialists in all clinical areas including subspecialties of medicine, surgery, pediatrics, obstetrics and gynecology, in 60 outpatient clinics.
- Four operating theaters and four day procedure rooms.
- Four delivery suites, with c-section facilities.
- A modern reference laboratory, the latest digital diagnostic imaging facilities with helical CT scan, MRI, radiofluoroscopy, color doppler ultrasound and mammography.

Ibn Al Nafees Medical Complex

Ibn Al Nafees Medical Complex, a new USD 6.5 million private hospital, is to open in December 2000. It is a joint venture by ten leading Bahraini medical consultants. Work on the six-story hospital is already in progress. The new complex will house 18 subspecialty clinics, including for homeopathy and naturopathy practice. The hospital will emphasize outpatient cases, but will have 16 inpatient beds for cases requiring longer time for recovery. There will be three operating theaters, radiology and imaging study department, physiotherapy, a laboratory, a pharmacy, and a 24-hour clinic.

Al Hayat Specialist Hospital

Al Hayat Specialist Hospital, a new USD 15 million private hospital, is to open in early 2001. Construction work on the five-story hospital has been completed. The hospital will house a complete physiotherapy department, two operation theaters, two delivery suites, two intensive care units, two 24-hour emergency departments--one for trauma and the other for light emergencies--and an ambulance service. Specialist clinics have been designed for obstetrics and gynecology, infertility, obesity, internal medicine, gastroenterology and diabetology, physical medicine and sports medicine, plastic and reconstructive surgery, general surgery, orthopedics, pediatrics, dentistry, ophthalmology, ear-nose-throat and psychiatry. The hospital will also have a telemedicine department, linking it with medical institutions in Europe and the U.S.

Medical Equipment Trade (USD million)

1998

1999

2000 (Jan-June)

Total Imports	10	12	4.6
U.S. Imports	3.2	3.2	1.4
U.S. market share	32%	26.7%	30.4%

(Source: The Central Statistics Organization, Government of Bahrain.)

See Chapter XIII, Trade Event Schedule, for information on upcoming exhibitions in the medical equipment sector.

AGRICULTURAL PRODUCTS

High-value U.S. food products with strong market potential in Bahrain include canned fruit and vegetables, snack foods, breakfast cereals, dried nuts (particularly almonds), condiments, frozen beef, frozen poultry parts, fresh apples and peas, dairy products (particularly cheeses), fruit and vegetable juices, packaged rice, hot sauces, salad dressings, mayonnaise, vinegar, iodized salt, and beer. In addition, growth in the local food processing industry is driving demand for semi-processed products such as beverage bases, soybean and sunflower-seed oils, and a variety of food ingredients.

There are numerous food importers, many of whom are also wholesalers, distributors, and retailers. Growth in the hotel and restaurant sector could lead to increased demand for U.S. beef products. New entries in the food franchise business continue to arrive such as Chili's, Ponderosa, Schlotzky's Deli, and others.

Since the opening of a major vegetable oil refining and packing facility (SAVOLA) in 1991, U.S. exports of corn oil to Bahrain increased significantly, thus becoming the leading U.S. food and agricultural export to the country. However, in mid-2000 SAVOLA froze its operations and dismissed all employees due to increased competition from other edible oil factories in the region. The plant's executive director stated that the facility has not been permanently closed and may become operational at any time.

Crude Corn Oil Market ('000 metric tons)

	1999	2000 (est.)
Total market	12	13
Total local production	0	0
Total exports	12	13
Total imports	24	26
Total U.S. imports	20	21
U.S. market share	83.3%	80.8%

(Source: U.S. Agricultural Trade Office, Dubai.)

See Chapter XIII, Trade Event Schedule, for information on upcoming exhibitions in the food sector.

VI. TRADE REGULATIONS, CUSTOMS AND STANDARDS

TRADE BARRIERS

Standards. Bahrain enforces shelf-life standards for a variety of food products. The manufacturer must print production and expiration dates on the label or container. Suppliers should work closely with their local importers to ensure compliance with local shelf-life requirements. Pharmaceutical products must be imported directly from a manufacturer that has a research department and must be licensed in a least two other GCC countries, one of which must be Saudi Arabia.

Investment. The government actively promotes foreign investment and has in recent years promulgated regulations permitting 100-percent foreign ownership of new industrial establishments and the establishment of representative offices or branches of foreign companies without local sponsors. However, all commercial investments are subject to government approval and most must be made in partnership with a Bahraini national controlling at least 51 percent of the equity. Although sleeping partner arrangements are a common way to meet the 51 percent threshold, they can lead to problems and should be approached with care.

In accordance with a 1999 amiri decree, nationals of all GCC states are permitted to purchase property and real estate in Bahrain. A law granting similar rights to non-GCC nationals is expected within the next year. The government encourages the employment of Bahraini nationals by setting national employment targets in each sector and by restricting the issuance of expatriate labor permits.

Government procurement practices. The government makes major purchasing decisions through the tendering process. For major projects, the concerned ministry extends invitations to select, pre-qualified firms. Likewise, construction companies bidding on government construction projects must be registered with the relevant ministry; smaller contracts are sometimes handled by departments within ministries, and are not necessarily subject to pre-qualification.

Bahrain requires a company to be registered in order to be invited to receive government tender documents. To be registered, a company must have 51 percent Bahraini ownership. The government also nominally gives preference to Bahraini and GCC products up to a price differential of 10 percent, provided that standard specifications of kind and quality are met. This provision, however, is not always enforced.

Government tendering procedures for large projects are not always transparent and U.S. companies have reported sometimes operating at a disadvantage as compared with other international firms. Contracts are not always decided on a basis of price and technical

merit. A local representative with strong connections is important for success in the bidding process.

Customs procedures. As a member of the Arab League, Bahrain is officially committed to enforcement, through its customs clearance procedures, of the primary aspect of the League's boycott of Israel, but enforcement is lax. Bahrain does not enforce the secondary and tertiary aspects of the boycott.

The government announced in July 1999 that importers can now clear goods as soon as they arrive at Bahrain's ports rather than wait one or two days for customs clearance. Under the new procedures, traders can pay a deposit for insurance purposes and then return to the port later to settle customs duties.

CUSTOMS VALUATION

Effective January 1, 2000, the government of Bahrain made several changes to its customs duties regime.

-- It abolished import duties on 43 food and feed items, including most fresh fruits and vegetables; fresh and chilled meats; coffee; grains; rice; flours; seeds for planting; sugar; vegetable oil meals; and baby milk products. There is still a protective duty of 20 percent on corn and palm oil imports.

-- It reduced from 10 percent to 7.5 percent the duty on consumer goods such as clothes, appliances, electronic equipment, communication devices, and computers and peripherals.

The import duty on tobacco was increased to 100 percent (up from 70 percent) in 2000 in compliance with an earlier GCC health ministers' decision on the matter.

Tariffs on cars and boats (20 percent), and alcoholic drinks (125 percent) remain in effect.

In principle, no tax or duty is payable on imports of raw materials or semi-manufactured goods for manufacture, or imports required for development projects (but not including spare parts), on transshipments, or on re-exports.

Bahrain remains committed to further lowering its tariffs in the next few years in accordance with a unified GCC customs union set to take effect in 2005. The tariff range for the customs union calls for tax-free foodstuffs, 5.5 percent duty on consumer goods, and 7.5 percent tariff on luxury items. According to Ministry of Finance officials, the government anticipates that increased volume of trade will offset the loss of USD 32 million annually created by the tariff reductions. The customs union implementation date could slip due to ongoing internal GCC differences.

IMPORT LICENSES

Import licenses for items to be sold in Bahrain are issued only to locally established companies that are at least 51 percent Bahraini-owned. Foreign companies established prior to 1975 may be exempt from this rule under special circumstances. All imported beef and poultry products require a health certificate from the country of origin and a halal slaughter certificate issued by an approved Islamic center in the country of origin.

For more information or inquiries please contact:

External Commercial Relations Directorate
Ministry of Commerce
Tel: (973) 531-063
Fax: (973) 536-145

EXPORT CONTROLS

Bahrain imposes standard international export controls.

IMPORT/EXPORT DOCUMENTATION

For imports, Bahraini Customs requires commercial invoices in duplicate in Arabic or English; a certificate of origin in Arabic or English (produced by a Chamber of Commerce and endorsed by an Arab Embassy); a copy of the insurance policy, if applicable; and bills of lading (four copies), including gross weight and dimensions. For food items, the Bahraini Customs Directorate Handbook declares that presentation of a certificate from manufacturers certifying that goods do not contain cyclamates is an important requisite.

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

TEMPORARY ENTRY

Facilities in the two free zones, Mina Sulman and the North Sitra Industrial Estate, may be used for the temporary import of goods for re-export.

LABELING, MARKING REQUIREMENTS

Food labels must include product and brand names, production and expiration dates, country of origin, name and address of manufacturer, net weight in metric units, and a list of ingredients and additives in descending order of importance. All fats and oils used as ingredients must be specifically identified on the label. Labels must be in Arabic or Arabic/English. Although stickers are not legally accepted, the law is not rigorously enforced as products do appear on store shelves with stickers. Small quantities of

products in English-only labels may be approved for import on a case-by-case basis, for test marketing purposes.

PROHIBITED IMPORTS

According to the Bahrain Customs and Ports Directorate Handbook, a number of items are prohibited from import. These include irradiated food products; weapons, except under special license; pornography and materials considered salacious; wild animals; radio-controlled model airplanes; children's toys containing methyl chloride and other articles declared injurious by the Ministry of Health; and foodstuffs and sweets containing cyclamates. Presentation of a certificate from manufacturers certifying that foods do not contain cyclamates is an important requisite. Drugs and medicines may only be imported by a drug store or pharmacy licensed by the Ministry of Health.

For a copy of the prohibited items list, please contact the U.S. Embassy's Commercial Section or contact Mr. Jassim Jamsheer, Director General of Customs' Affairs at tel. (973) 727-171 or fax 727-556.

STANDARDS

Bahrain's standards are consistent with the established--albeit relatively strict--norms of the GCC. Shelf-life standards, in particular, are often stricter than deemed scientifically necessary by U.S. experts. To help address these issues, the U.S. NIST and the GCC countries concluded a memorandum of understanding on standards, metrology, and technical assistance in 1996, but progress has been slow. Bahrain follows the lead of Saudi Arabia on such issues.

A significant number of Bahraini manufacturing facilities received ISO 9002 certification and several others are still undergoing the necessary audits and procedures. The GCC states, including Bahrain, are planning to implement a system for registering companies that comply with international ISO 9002 standards under the auspices of the Gulf Standards and Metrology Organization (GSMO).

FREE TRADE ZONES/WAREHOUSES

Mina Sulman, 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.

SPECIAL IMPORT PROVISIONS

None, other than provisions identified above.

MEMBERSHIP IN FREE TRADE AGREEMENTS

Duty-free access to GCC countries is possible from Bahrain. Exported products must have a minimum of 40 percent local value-added to qualify for duty-free status.

CONTRACTING/ENGINEER REQUIREMENTS

Engineers, both indigenous and foreign, are required by law to have a license to practice in Bahrain. The Committee For Organizing Engineering Professional Practice (CFOEPP), under the Ministry of Works and Agriculture, is the government body responsible for licensing.

Engineering offices: A foreign engineering company is not required to have a local representative to practice in Bahrain. However, it needs approval by the Ministry of Cabinet Affairs and the Ministry of Commerce to set up without a local agent. If a local office is opened, CFOEPP regulations that it be 51 percent Bahraini, provided that both parties meet the requirements for registration in accordance with the applicable government decree. All foreign engineering companies are required to register with the CFOEPP. It is a violation of the law for an engineering company or an engineer to practice engineering in Bahrain without a license. This applies whether such practice is being undertaken in Bahrain or physically elsewhere for a project in Bahrain.

Contracting companies: Generally, a foreign contracting company is required to have a local representative to practice in Bahrain. Only Bahraini citizens can be appointed as local representatives for contracting by the Ministry of Commerce. All engineers working for a contracting company are required to seek registration with the CFOEPP.

GOVERNMENT CONTRACTING

All tenders are subject to Bahrain's unified rules giving priority to Bahraini products and products of Bahraini origin. (Article 8, Prime Ministerial Edict no. 21 of 1987.)

For public tenders, a foreign company must have a local representative who must be a Bahraini citizen. Tenders are issued and proposals are called for and assessed by a public committee. For large projects involving design and construction supervision, a consultant is usually chosen from about half a dozen pre-qualified companies that are invited to bid on detailed terms of reference.

As of June 2000, there are no regulations governing the level of local content in government and international contracts. However, the government does have mandatory formulas for the percentage of Bahraini employees to be employed by firms of varying sizes. Government contracts and purchase orders will not be awarded to companies that fail to fulfill these requirements. Some argue that companies employing more Bahrainis should receive preferential treatment when government contracts are awarded, but this does not noticeably affect contract awards.

Government tendering procedures for large projects are not always transparent, and U.S. companies have reported sometimes operating at a disadvantage as compared with other international firms. Contracts are not always decided on the basis of technical merit, price and commercial terms. A local representative with strong connections is important for success in the bidding process.

Bid bonds are required from all international contractors. The bonds are flat fees rather than a percentage of the total bid because knowledge about the amount of the bid-bond deposits may alert competitors to each other's bid price. The fees are stated in Bahraini Dinars and vary from a nominal amount to five percent of the expected bid. Performance bonds are usually 10 percent of the total contract for the contract period and any maintenance defects period. Requirements do not vary with the experience of the firm in Bahrain, nor do they change when the contractor is in a joint venture with a Bahraini company. The government requires unconditional bank guarantees for performance bonds.

"Force majeure" is defined in the tender conditions. Strikes are prohibited in Bahrain, so work stoppages are not a significant problem. If they were to occur, the government would likely be reasonable in judging the effect on a contractor's progress. Delivery delays due to port congestion are considered force majeure conditions.

All contracts stipulate that Bahraini law should be used for the settlement of disputes. If a company insists, the government may consider recourse to the International Chamber of Commerce or to the GCC Arbitration Center. However, arbitration procedures are a contractual matter.

All bids must be in English and the specifications in metric measurements.

The government of Bahrain prefers fixed price bids. Generally speaking, it insists on a one-year, fixed-price agreement on equipment and materials and expects the contracting firm to be in a position to order and import all or most of its requirements within the one-year period. The government may agree to a longer period, depending on the type of contract.

It is possible to apply for a waiver of customs duties on imported machinery, but it must then be re-exported at the conclusion of the project. The original customs assessment must be paid if the machinery is sold on the local market. Bonded areas are available.

Theoretically, the practices of the Bahraini private sector follow those of the government. However, private negotiations and understandings reached between the contracting parties vary from project to project.

VII. INVESTMENT CLIMATE

OPENNESS TO FOREIGN INVESTMENT

The government of Bahrain has a generally liberal approach to foreign investment, and continues to improve Bahrain's attractiveness to international investors and business. The Amir, Shaikh Hamad, and senior government officials have publicly stated that attracting foreign investment to spur private sector development is one of the government's top priorities. In general, most large businesses in Bahrain are owned by the state or by large private families or corporations. Development of the Bahrain Stock Exchange, changes in business and financial laws and continual improvements in the already highly regarded Bahrain Monetary Agency (BMA) are intended to attract new foreign investment.

As part of its program to diversify the economy, the government of Bahrain actively encourages foreign private investment, especially in sectors that are export-oriented and do not compete directly with established local enterprises. The government is encouraging Bahraini and foreign private investment in infrastructure projects. Previously, most such activity other than hotels has been funded by development agencies from other Gulf countries (particularly Kuwait, UAE and Saudi Arabia) but a number of private school and hospital projects have been launched recently.

Bahrain offers several advantages to foreign investors, including: no personal or corporate taxation, no restriction on capital and profit repatriation, a developed infrastructure with excellent transportation and communication facilities, and duty-free access to GCC member states for products manufactured in Bahrain.

Bahrain actively promotes foreign investment and permits 100 percent foreign ownership of new industrial entities and the establishment of representative offices and branches of foreign companies without local sponsors. Completely foreign-owned companies may be set up for regional distribution services and such companies may operate within the domestic market and offshore so long as they are not set up for the exclusive purpose of engaging in commercial sales in Bahrain. Foreign stakes in those investments are restricted to 49 percent.

In general, the Bahraini government does not license companies wishing to compete with existing government-owned or parastatal companies, or which would be a danger to public health or other aspects of the general welfare. Items prohibited for import would also be prohibited for production.

Generally speaking, there is no special screening of foreign investment; all significant investments, whether by Bahraini or foreign firms, must go through a lengthy and complicated government approval process. Taxation and import laws apply equally to Bahraini and foreign-owned companies, and foreign investors comply with the same requirements and legislation as do local firms.

Periodically, usually due to the Bahraini government's efforts to promote Bahrainization of the workforce (replacing expatriate workers with Bahraini employees), foreign firms

experience some difficulty in obtaining the required work permits and residence visas for expatriate employees. 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 apply to the highest levels of the concerned ministries, and to consult the U.S. Embassy. A good local "fixer" with extensive contacts can be very effective in overcoming bureaucratic inertia.

Joint ventures are permitted with Bahraini companies, but a 100 percent purchase of an existing Bahraini company would probably not be permitted, as the government's aim is to attract additional companies, rather than to reduce the number of Bahraini-held companies.

Foreign-owned companies are eligible for partial financing from the state-owned Bahrain Development Bank (BDB), if they meet certain criteria such as providing employment to a significant number of Bahrainis. Private investment (foreign or Bahraini) in petroleum extraction is permitted only under a production-sharing agreement with BAPCO, the state-owned petroleum company. In general, industrial enterprises that would compete with government-owned or parastatal firms are not permitted; this rule applies equally to Bahraini and foreign-owned companies.

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 2.65). The U.S. Embassy purchases local currency at this rate. There is no black market or parallel exchange rate. Foreign exchange is readily available and a devaluation of the Bahraini Dinar over the next year is highly unlikely. There are no restrictions on converting or transferring funds, whether or not associated with an investment.

EXPROPRIATION AND COMPENSATION

There have been no expropriations in recent years, and none are anticipated. Nor are there any outstanding investment disputes involving the government or foreign investors.

In 1976 the Bahraini government fully nationalized the extraction of petroleum, paying compensation to the foreign owners of the company which had previously operated in that field. Following a Gulf-wide trend, in 1980 the Bahraini government offered to buy a 60 percent share in the petroleum refinery, BAPCO, at terms acceptable to its original owner, the U.S. firm Caltex. Caltex remained involved as administrator and 40 percent owner until April 1, 1997, when it reached an amicable agreement with the government to sell back its remaining share. Caltex continues to provide technical assistance and managerial personnel to BAPCO and to be active in the retail market.

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.

The few disputes that have arisen in recent years have been adequately handled through the local court system or through arbitration. There have been cases of lawsuits against businesses and businessmen for nonpayment of debts. Such debt cases are adequately handled by Bahrain's court system.

Arbitration procedures are a contractual matter; disputes can be referred to an arbitration body as specified in the contract, or to the local courts. Increasingly, Bahraini companies, in dealings with both local and foreign firms, include arbitration procedures in their contracts. Nevertheless, 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. The guidelines laid down by the International Chamber of Commerce (ICC) in Paris are generally respected, and disputes are occasionally referred to arbitration at the ICC in Paris.

Bahrain is a signatory to the New York Convention of 1958 on the Recognition and Enforcement of Foreign Arbitration Awards. An international arbitration center, established in Bahrain in 1995, is located near the Bahrain Chamber of Commerce and Industry. Chairmanship of the center revolves among the GCC states that send representatives from their chambers of commerce and industry. Thus far few cases have been brought to arbitration, though a large number of arbitrators have been impaneled.

PERFORMANCE REQUIREMENTS/INCENTIVES

There are no special performance requirements imposed on foreign investors. Foreign and Bahraini-owned companies must meet the same requirements and comply with the same environmental, safety, health, and other labor requirements. Officials at the Ministry of Labor and Social Affairs and the Ministry of Oil and Industry supervise, on a non-discriminatory basis, companies operating in Bahrain.

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.

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.

Although foreigners may not acquire legal control of an existing Bahraini company, new guidelines permit GCC investors to own up to 100 percent of a new public company and non-GCC investors to own up to 49 percent. The Minister of Commerce has the authority to approve exceptions. However, they must retain their shares for at least three years following the creation of a public company.

GCC nationals may now own land in Bahrain; this legal right is expected to be extended to all foreigners soon. Foreign-owned banks may own their own premises and, on a case-by-case basis, expatriates who retire in Bahrain after long-term employment here may own their own residences.

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.

Bahrain was deleted from the U.S. Special 301 Watch List in 1999, and remained off the list in 2000, in recognition of greatly enhanced IPR protection in Bahrain. The government has made dramatic progress in reducing copyright piracy; patent and trademark protection has always been strong and there continue to be no reports of significant violations of U.S. patents and trademarks in Bahrain. 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. Bahrain is TRIPS-compliant through a constitutional clause giving international agreements acceded to by amiri decree precedence over local law.

There is no separate legal or regulatory protection of trade secrets.

TRANSPARENCY OF THE REGULATORY SYSTEM

While the government of Bahrain is clearly seeking to encourage foreign investment, its laws and procedures are not always transparent. Bureaucratic procedures can create stumbling blocks. In the case of manufacturing enterprises, when these appear they seem mainly to be due to a lack of coordination between government ministries, most of which must sign off on one stage or another of the licensing procedure. Many (including ones with U.S. joint venture partners) appear to have had little difficulty navigating the obstacles; choosing the correct partner is an important key to the successful development of a project.

Foreign investors in Bahrain occasionally suffer from the unequal or inconsistent application of domestic laws. Entrenched local business interests with government influence can cause problems for potential competitors. Interpretation and application of the law sometimes seemingly varies by ministry, and may be dependent on the stature and connections of an investor's local partner. In one instance, a new Bahraini company,

with a minority U.S. investor representing several major U.S. film studios, met with unexpected roadblocks in its bid to challenge the monopoly cinema company in Bahrain. In a second case, a U.S. restaurant franchise was issued an alcohol license by the Ministry of Information's Tourism Office--and sized its investment accordingly--only to have it revoked eight months later by the Ministry of Commerce. Encouragingly, there have been no new cases in the past year and both investors are pursuing additional opportunities in Bahrain. Inconsistencies also can arise with issues such as visas, work permits and customs valuations. Departures such as these from the consistent, transparent application of regulations and the law remain rare, and investors are usually well pleased with government cooperation and support.

EFFICIENT CAPITAL MARKET 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 onshore and offshore banks have shown extensive cooperation in syndicating loans for larger risks. Generally, Bahrain's banks are described as hungry for solid investment opportunities.

The banking system is sound, and undergoes examination and supervision by the Bahrain Monetary Agency (BMA), which has an international reputation for excellence. The estimated total assets of Bahrain's commercial and investment banks as of the end of 1999 were USD 7.8 billion; the total assets of offshore banks in Bahrain were USD 88.2 billion; total banking system assets reached USD 102.1 billion. Portfolio investments are increasingly encouraged.

POLITICAL VIOLENCE

Bahrain has experienced intermittent civil unrest since 1994, but since 1997 there has been a marked improvement. The disturbances have been directed primarily against the regime, but in a few cases expatriate property, including homes, vehicles, and places of business were damaged or destroyed, and several south Asian workers were killed in a fire a few years ago. The current low level of unrest--primarily the occasional burning of tires in a village road or exploding gas cylinders in unoccupied areas--is sporadic, and minor in comparison with crime problems in most Western metropolitan areas.

CORRUPTION

Corruption is a global problem that is sometimes a part of doing business in the Gulf region. 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 are not always transparent and contracts are not always

decided on the basis of price and technical merit. On the other hand, petty corruption is rare in Bahrain. The bureaucracy is sometimes inefficient but it is 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 Amir 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 although no radical changes are expected imminently. Bahrain is not a signatory of the OECD Convention on Combating Bribery.

OPIC AND OTHER INVESTMENT INSURANCE PROGRAMS

On April 25, 1987, Bahrain and the U.S. Government signed an agreement regarding activity in Bahrain by the Overseas Private Investment Corporation (OPIC). The agreement opened the way for extension of such OPIC facilities as investment insurance, reinsurance, and investment guarantees to U.S. private investors interested in doing business in Bahrain.

BILATERAL INVESTMENT AGREEMENTS

Bahrain and the U.S. signed a bilateral investment treaty (BIT) in September 1999. This is the first BIT between the United States and a Gulf country and will result in the further opening of the Bahraini economy to U.S. investors. It was ratified by Bahrain in November 1999 and as of July 2000 was awaiting ratification by the U.S. Senate.

As of July 2000, Bahrain had bilateral investment protection agreements in place with the Algeria, China, Egypt, Jordan, Malaysia, Morocco, Syria and UK. Agreements with India, Lebanon, Pakistan, the Philippines, and Thailand have been initialed and are awaiting signature. Bahrain has economic and commercial cooperation agreements with Australia, Bangladesh, China, Cyprus, Egypt, France, Greece, India, Iraq, Jordan, Netherlands, Russia, Singapore, South Korea, Syria, Tunisia, Turkey and UK. One with Germany has been initialed and is ready to be signed. Bahrain has air transportation tax agreements with China, Cyprus, France, Germany, Greece, Singapore, Turkey, UK, U.S. and Yemen. Bahrain has concluded double taxation agreements with Egypt, France, Jordan, Malaysia, Morocco, Syria, and Tunisia. Ones with India, the Philippines and Thailand have been initialed and are awaiting signature.

LABOR

According to the Central Statistics Organization, as of the end of 1999 the Bahraini labor force numbers 306,803, 60 percent of whom are expatriates. Over 60 percent of the 109,650 Bahrainis in the workforce are government employees, and women make up 19 percent of the Bahrainis in the workforce. The Ministry of Labor reported that unemployment was 2.35 percent in 1999, a slight improvement over 2.4 percent in 1998, but these figures are widely discounted as based on unrealistic assumptions. The United

Nations Development Program (UNDP) estimates real unemployment to be at least 15 percent and possibly as high as 30 percent in certain areas of the country.

The government is seeking to establish Bahrain as a regional center for human resource development. Shortages of Bahrainis with competencies in key skills have prompted the government to promote training as a way of increasing Bahrainization of the work force. In addition to several universities, there are a number of training centers, such as the Bahrain Training Institute (BTI) and the Bahrain Institute of Banking and Finance (BIBF) that are designed to better prepare recent graduates for the modern, technology-driven work force. Many large firms have in-house training programs.

Worker representation in Bahrain is based on a system of Joint Labor-Management Committees (JLC's) established by ministerial decree. As of June 2000, the total number of JLC's has risen to 19. JLC's provide a means for labor and management to discuss issues of mutual concern, including labor disputes, wages, working conditions, and productivity. The JLC system covers approximately 70 percent of Bahraini industrial workers, plus some expatriate workers. There are no western-style labor unions. Labor-management relations in Bahrain are relatively smooth; there have been no major strikes in recent years. Bahrain is a member in good standing of the International Labor Organization (ILO).

FOREIGN TRADE ZONES/FREE PORTS

Mina Sulman, Bahrain's major port, provides a free transit zone to facilitate the duty-free import of equipment and machinery. The North Sitra Industrial Estate is an industrial free zone and another one is planned for Hidd. Foreign-owned firms have the same investment opportunities in these zones as Bahraini companies.

A new 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 will have to conform to the specifications, terms and drawings submitted with the application. Changes are not permitted without approval from the Ministry of Oil and Industry.

MAJOR FOREIGN INVESTMENTS

Foreign investments in Bahrain range from partial foreign ownership of large parastatals in the oil and telecommunications sectors to restaurant franchises. The government does not, however, maintain statistics on stocks or flows of foreign direct investment. The largest, by value, foreign holdings in Bahrain include:

-- Aluminum Bahrain (ALBA) and the Gulf Petrochemical Industries Complex (GPIC), each of which are owned as joint investments by several Gulf states.

-- The Arab Shipbuilding and Repair Yard (ASRY), which is jointly owned by Bahrain, Kuwait, Saudi Arabia, the United Arab Emirates, Qatar, Iraq (participation frozen) and Libya (participation frozen).

-- Britain's Cable and Wireless' 20 percent holding in the Bahrain Telecommunications Company (BATELCO).

According to U.S. Embassy records, approximately 105 U.S. companies were operating, in one form or another, in Bahrain as of June 2000. Many of the U.S. firms are in the services sector and thus do not have a large capital investment in Bahrain despite a significant local presence. Among the larger U.S. investments are:

-- A USD 33 million tissue factory, owned jointly by Kimberly-Clark (U.S.) and Olayan Saudi Holding Company (Saudi Arabia), that opened in 1994.

-- Coca Cola's controlling interest in its local bottling plant.

-- Shaw-Nass, a manufacturing plant owned by Shaw Industries, a U.S. pipeline manufacturer, in partnership with a Bahraini firm, A.A. Nass.

-- DHL's USD 12 million regional distribution center at the Bahrain International Airport. Inaugurated in 1993, the facility recently completed a multi-million dollar expansion to meet sharply rising demand.

--Gulf Closures, a bottle top manufacturing joint venture between Alcoa and the Al Zayani family.

--Aluserve, an aluminum drossing plant which is a joint venture between Harsco and the Al Zayani family.

VIII. TRADE AND PROJECT FINANCING

DESCRIPTION OF BANKING SYSTEM

Bahrain is the principal financial services hub of the Middle East. Utilizing sophisticated global communications links, it serves both a regional and an international clientele and provides a complete range of financial and banking services, including well-developed offshore facilities. Legal, regulatory, and accounting systems in the financial sector (onshore and offshore) are transparent and consistent with international norms.

As of February 2000 there were 175 financial institutions operating in Bahrain, including 19 full commercial banks, two specialized banks, 48 offshore banking units, 36 representative offices, 33 investment banks, six foreign exchange and money brokers, 13 investment advisory and other financial services and 18 money-changers registered in Bahrain. Major U.S. banks and financial services firms here include Citibank, Chase Manhattan, American Express and Merrill Lynch.

FOREIGN EXCHANGE CONTROLS AFFECTING TRADING

There are no foreign exchange controls or other obstacles to the free movement of funds.

GENERAL FINANCING AVAILABILITY

Bahrain's banking policies, regulated by the Bahrain Monetary Agency (BMA), facilitate the free flow of financial resources into and out of the country, with credit generally being allocated on market terms. Foreign investors are able to borrow on the local market, and the private sector has access to a variety of credit instruments.

HOW TO FINANCE EXPORTS/METHODS OF PAYMENT

Letters of Credit are the preferred method of payment for exports. A Letter of Credit (L/C) is a promise by a bank that it will make clearly stated payments to a named party under certain conditions. The L/C should conform to international guidelines established by the International Chamber of Commerce (ICC), as published in the Uniform Customs and Practice for Documentary Credits, or UCP. L/Cs offer certain advantages to the seller, who through the L/C depends on the creditworthiness of the opening (issuing) bank, rather than the buyer's; other risks are also minimized. For the buyer, the L/C ensures that all of the seller's documents must be correct before the seller will be paid.

Other possible methods of international commercial payments include cash, open credit, and documentary credit sales.

AVAILABLE EXPORT FINANCING AND INSURANCE

Ex-Im Bank financing can be used for appropriate exports to Bahrain.

PROJECT FINANCING AVAILABLE

For major infrastructure investments, Bahrain's onshore and offshore banks have extensive experience with syndicated loans for larger risks. The Bahrain Development Bank (BDB) promotes industrial development in Bahrain. It also lends funds in some cases to local projects it considers appropriate; funding is not limited to projects of Bahraini-owned companies. Credit is allocated on market terms and is available to foreign investors. Generally, credit terms are variable, but usually are limited to 10 years.

LIST OF BANKS WITH U.S. BANKING ARRANGEMENTS

Most banks in Bahrain have U.S. correspondent banking arrangements. Three U.S. banks have offices in Bahrain:

Citibank/Citicorp
P.O. Box 548
Manama, Bahrain

Tel: (973) 257-124

Fax: (973) 250-510

Citibank operates as a full commercial bank, OBU, representative office, and gas and Islamic banking subsidiary.

Chase Manhattan Bank

P.O. Box 368

Manama, Bahrain

Tel: (973) 535-388

Fax: (973) 535-135

Chase operates as an offshore bank.

Merrill Lynch International Bank

P.O. Box 10399

Manama, Bahrain

Tel: (973) 530-260

Fax: (973) 530-245

Merrill Lynch operates as an investment bank.

IX. BUSINESS TRAVEL

BUSINESS CUSTOMS

We cannot stress enough that personal contact, frequently renewed, is key to doing business successfully in Bahrain. Visiting business professionals should be prepared to spend a portion of any business call socializing and getting to know their counterparts. Nevertheless, the atmosphere here is generally more time-sensitive and "business-like" than in other countries of the region.

Most government offices operate Saturday through Wednesday, while most companies operate Saturday through Wednesday plus half-days on Thursday. Many banks work Saturday through Thursday. Employees of offshore financial institutions often follow a more Western workweek.

TRAVEL ADVISORIES AND VISAS

Entry visas for American citizens may be obtained upon arrival at the Bahrain International Airport. 72-hour visas cost USD 27 and seven-day visas cost USD 40. Entry visas can also be obtained from the Bahraini Embassy in Washington, D.C.

An Israeli entry stamp in a passport is not a bar to obtaining a Bahraini visa or to entering Bahrain, but not all airline personnel are aware that the former prohibition no longer applies.

Crime is generally not a problem in Bahrain. In the past there have been occasional minor civil disturbances in various parts of the country. The U.S. Embassy advises American citizens to avoid any disturbances or large gatherings in the streets, and to avoid travel into villages, if possible. Americans in Bahrain and elsewhere should maintain a high level of security awareness while following their daily business or social routines in light of the global threat of terrorism.

HOLIDAYS

The following are approximate dates for Bahraini holidays from July 2000 through December 2001:

November 28-December 28, 2000	Ramadan **
December 16-17, 2000	National Day
December 28-30, 2000	Eid Al Fitr*
January 1, 2001	New Year's Day
March 6-8, 2001	Eid Al Adha*
March 26, 2001	Islamic New Year*
April 4, 2001	Ashoora*
June 4, 2001	Prophet's Birthday
November 17-December 16, 2001	Ramadan **
December 17-19, 2001	Eid Al Fitr*
December 16-17, 2001	National Day

* Dates for religious holidays are determined by the Islamic lunar calendar and may vary by a day or so from the dates given above.

** While the Muslim holy month of Ramadan is not an official government holiday period, it is better not to schedule business visits during this period as activity throughout the country is curtailed.

BUSINESS INFRASTRUCTURE

Nearly everyone with whom a business traveler is likely to come into contact speaks at least some English, and Bahraini government officials and businessmen are usually fluent in the language. Hotel accommodations are excellent, with a large selection of five-star hotels available. All hotels are equipped with reliable phone and fax service, and many hotels also provide Internet, wire services, and business and conference centers.

Rental cars are readily available, but an International Driving License is required and must be validated in Bahrain. Major car rental firms will help qualified clients obtain a temporary Bahraini driving license. Cabs are easy to find in downtown Manama. There is also a reliable telephone taxi service (telephone 682-999) for return transportation from less central locations. Most major roads are four- or six-lane and are well maintained. In the older parts of Manama and Muharraq and in villages, many streets are narrow, twisting, and sometimes in relatively poor condition. Traffic is congested in some areas

of Manama. Drivers should exercise caution at the roundabouts (traffic circles) found at many major intersections. Radar and speed detection cameras are installed by some traffic lights. Travel at night is more hazardous. Defensive driving is recommended.

There is a wide range of restaurants available in all price ranges, from an array of international cuisine and ethnic restaurants to well-known U.S. chains such as McDonald's, Pizza Hut, Burger King, Kentucky Fried Chicken, Fuddrucker's, Chili's, Ponderosa, Schlotsky's Deli, and Hard Rock Cafe.

Health standards are good. Hospitals, clinics, and pharmacies--including several 24-hour pharmacies--are widely available and of high quality. Certain pharmaceutical products may be unavailable, or sold under a European name.

X. ECONOMIC AND TRADE STATISTICS

Country Data

Population (2000 est.):	680,625 (61 percent Bahraini, 39 percent expatriates)
Population Growth Rate:	3.6 percent
Religions:	Islam is the official state religion. 85 percent Muslim, plus Christians, Hindus, Jews, Bahais and Zoroastrians.
Government System:	Traditional emirate.
Languages:	Arabic (official). English is widely used in business.
Work Week:	Saturday – Wednesday (often half-days on Thursday; banks and some international firms Sunday-Thursday).

Domestic Economy

Key Economic Indicators

	1998	1999	2000 (est.)
GDP (current USD millions)	6,167	6,401	6,657
Nominal GDP growth	-2.6%	3.8%	4.0%
GDP per capita (USD)	9,776	9,611	9,781
Government spending (% of GDP)	30%	30%	29%
Inflation rate	-0.4%	1.2%	1.0%
Unemployment (GOB figures)	2.4%	2.35%	2.4%
Unemployment (Embassy estimate)	16%	17%	18%
Gold and foreign exchange reserves (USD million)	1,016	1,039	1,069

(Sources: Embassy estimates and the Government of Bahrain)

Trade Statistics

Total Bahraini trade (USD billion)

	1998	1999	2000 (est.)
Total Bahraini exports	3.26	4.07	5.3
Total Bahraini imports	3.54	3.60	3.9

(Source: Central Statistics Organization, Embassy estimates)

U.S. trade with Bahrain (USD million)

	1998	1999	2000 (est.)
U.S. imports from Bahrain	169.8	241.4	318
U.S. exports to Bahrain	294.9	348.3	332
U.S. market share	8.3%	9.7%	8.5

(Source: U.S. Department of Commerce)

XI. U.S. AND COUNTRY CONTACTS

BAHRAINI GOVERNMENT AGENCIES

The following websites provide the most comprehensive information and links for the government of Bahrain:

www.bahrain.gov.bh
www.arab.net/bahrain

Ministry of Finance and National Economy
 H.E. Abdulla Saif, Minister
 P.O. Box 333
 Manama, Bahrain
 Tel: (973) 532-813
 Fax: (973) 533-630
 Home page: www.mofne.gov.bh

Bahrain Monetary Agency
 P.O. Box 27
 Manama, Bahrain
 Tel: (973) 535-535
 Fax: (973) 530-399

Home page: www.bma.gov.bh
E-mail: bmalbr@BATELCO.com.bh

Sh. Abdulla K. Al Khalifa
Governor
Tel: 529-200
Fax: 533-776

Bahrain Promotions and Marketing Board (BPMB)
Robin Marriott, Acting Chief Executive Officer
P.O. Box 11299
Manama, Bahrain
Tel: (973) 533-886
Fax: (973) 531-117
E-mail: bahrain7@BATELCO.com.bh
website: www.bpmb.com

Bankers Society of Bahrain
Mrs. Wendy Toorani
P.O. Box 2851
Manama, Bahrain
Tel: (973) 728-003
Fax: (973) 729-802

Bahrain Stock Exchange
Shaikh Ahmed Al Khalifa, Director
P.O. Box 3203
Manama, Bahrain
Tel: (973) 261-260
Fax: (973) 276-181
E-mail: bseceo@batelco.com.bh

Mr. Shaker Al Shater, Director of Operations
P.O. Box 3203
Manama, Bahrain
Tel: (973) 273-381
Fax: (973) 212-979

Ministry of Oil and Industry
H.E. Sh. Isa Bin Ali Al Khalifa, Minister
P.O. Box 1435
Manama, Bahrain
Switchboard: (973) 291-511
Fax: (973) 293-007

Small and Medium Enterprise Unit

Dr. Haitham Al Qahtani, Director
Tel: (973) 525-559
Fax: (973) 290-302

Ministry of Labor and Social Affairs
H.E. Abdul Nabi Al Shoa'la, Minister
Mr. Saeed Al Sayed Ahmed, Advisor for Manpower Development
P.O. Box 32333
Manama, Bahrain
Tel: (973) 682557
Fax: (973) 687907
Home page: www.bah-molsa.com

Ministry of Transportation
(note: includes Telecommunications)
H.E. Ali bin Khalifa Sulman Al Khalifa, Minister
P.O. Box 10325
Manama, Bahrain
Tel: (973) 535-200
Fax: (973) 537-537

Civil Aviation Affairs
Mr. Ibrahim Abdulla Al Hamer
Undersecretary for Civil Aviation Affairs
P.O. Box 586
Manama, Bahrain
Tel: (973) 321-000
Fax: (973) 325-757

Hesham bin Abdul Aziz Al Khalifa
Airport Director
Tel: (973) 321-150
Fax: (973) 324-096

Bahrain Telecommunications Company (BATELCO)
Andrew B. Hearn, Chief Executive
P.O. Box 14
Manama Bahrain
Tel: (973) 881-881
Fax: (973) 611-441
E-mail: batelco@btc.com.bh
Home page: www.batelco.com.bh

Ministry of Cabinet Affairs and Information
H.E. Mohammed Al Mutawa
Minister

Tel: (973) 214-889
Fax: (973) 277-730

Dr. Kadhim Rajab, Assistant Undersecretary for Tourism
Tel: (973) 781-888
Fax: (973) 682-777
Home page: www.bahraintourism.com.bh

Jamal Dawood
Director, Directorate of Publications and Press
Tel: (973) 717-525
Fax: (973) 717-515

Ministry of Works and Agriculture
H.E. Ali Ebrahim Al Mahroos, Minister
P.O. Box 5
Manama, Bahrain
Tel: (973) 524-600
Fax: (973) 533-974

Committee for Organizing Engineering Professional Practice (CFOEPP)
Dr. Hassan Abdulla Fakhro, Chairman
P.O. Box 167
Manama, Bahrain
Tel: (973) 534-747
Fax: (973) 536-371

Ministry of Electricity and Water
Shaikh Daij Al Khalifa, Minister
P.O. Box 2
Manama, Bahrain
Tel: (973) 522-002
Fax: (973) 537-151

Mr. Nabeel Al Maskati
Assistant Undersecretary, Planning and Studies
Tel: (973) 522-120
Fax: (973) 532-786

Ministry of Commerce
H.E. Ali Saleh Al Saleh, Minister
P.O. Box 5479
Manama, Bahrain
Tel: (973) 532-121
Fax: (973) 530-469

Abdul Razak Zainalabedin
Director of Foreign Trade Relations
Tel: (973) 555-633
Fax: (973) 555-779

Mohammed Dharar Al Sha-er
Director of Agencies and Industrial Property
Tel: (973) 530-335
Fax: (973) 536-479

Mr. Mohammed Ali Ajoor
Acting Director of Standards and Metrology
Tel: (973) 530-100
Fax: (973) 530-730

Ministry of Education
H.E. Abdul Aziz bin Mohammed Al Fadhel, Minister
P.O. Box 43, Manama, Bahrain
Tel: (973) 680-071
Fax: (973) 680-161
Home page: www.education.gov.bh

Ministry of Health
H.E. Dr. Faisal Al Mousawi, Minister
P.O. Box 12
Manama, Bahrain
Tel: (973) 270-443
Fax: (973) 252-569
Home page: www.batelco.com.bh/mhealth

Bahrain Chamber of Commerce and Industry
Mr. A. Rahim Naqi
Deputy Secretary General
P.O. Box 248
Manama, Bahrain
Tel: (973) 229-555
Fax: (973) 212-937
E-mail: bahcci@batelco.com.bh
Home page: www.bahchamber.com

Market Research Firms in Bahrain

Fortune PromoSeven
Mr. Tariq Al Saffar, Managing Director, Bahrain
P.O. Box 5989
Manama, Bahrain

Tel: (973) 225-148
Fax: (973) 224-375

Arthur Andersen & Co.
Mr. Jamal Al Hazeem, Partner
P.O. Box 20323
Manama, Bahrain
Tel: (973) 530-400
Fax: (973) 530-321

Middle East Research and Consultancy (MERAC)
Mrs. Loren Irwin, Country Manager, Bahrain
P.O. Box 26018
Manama, Bahrain
Tel: (973) 742-024
Fax: (973) 742-061

Ernst & Young
Mr. Ismail Amin, Chairman
P.O. Box 140
Manama, Bahrain
Tel: (973) 535-455
Fax: (973) 535-405

PriceWaterhouseCoopers
Mr. Khalid Janahi
P.O. Box 26403
Manama, Bahrain
Tel: (973) 530-077
Fax: (973)226966

Principal Commercial Banks

Citibank, N.A.
P.O. Box 548
Manama, Bahrain
Tel: (973) 223-344
Fax: (973) 210-000

National Bank of Bahrain B.S.C.
P.O. Box 106
Manama, Bahrain
Tel: (973) 228-800
Fax: (973) 228-998
Home page: www.nbbonline.com

Bank of Bahrain and Kuwait B.S.C.
P.O. Box 597
Manama, Bahrain
Tel: (973) 223-388
Fax: (973) 229-822
Home page: www.bbkonline.com

U.S. Embassy Trade Personnel

Alfred Fonteneau, Chief, Political and Economic Section
Ian F. Dunn, Economic and Commercial Officer
Tracy L. Haily-Georgieva, Economic and Commercial Officer
Madeleine Khouri, Commercial Assistant
Lucy Fahim, Commercial Assistant

U.S. Mail: U.S. Embassy
PSC 451
FPO AE 09834-5100

Intl. Mail: U.S. Embassy
P.O. Box 26431
Manama, Bahrain

Tel: (973) 273300 ext 2072
Fax: (973) 273011
Home page: www.usembassy.com.bh
E-mail: usmanama@batelco.com.bh

Agricultural Trade Office
P.O. Box 9343
Dubai, U.A.E.
Tel: 971-4-314-063
Fax: 971-4-314-998
E-mail: atodubai@emirates.net.ae
Home page: www.usembabu.gov.ae/atodubai.htm
Contact: Ron Verdonk, Regional Director
(Covers: Bahrain, Kuwait, Oman, Qatar and U.A.E)

Washington-based U.S. Government Contacts

David L. Guglielmi, Country Officer
U.S. Department of Commerce
IEP/ANESA/ONE
Room 2029B, HCHB
Washington, DC 20230
Tel: (202) 482-1860

Fax: (202) 482-0878
E-mail: David.Guglielmi@mail.doc.gov
home page: www.ita.doc.gov/mena/econof.html

David Priess, Desk Officer
U.S. Department of State
NEA/ARP
Room 4224, Main State
2201 C Street, NW
Washington, DC 20520
Tel: (202) 647-6571
Fax: (202) 736-4459
E-mail: priessdm@state.gov

TPCC Trade Information Center, Washington
1-800-USA-TRADE

Trade Assistance and Promotion Office (TAPO)
Foreign Agricultural Service (FAS)
U.S. Department of Agriculture
Ag Box 1052
Washington, D.C. 20250-1052
Tel: (202) 720-7420
Fax: (202) 690-4374

XII. MARKET RESEARCH

International Market Insights

- Bahrain: Hidd Power Plant (July 2000)
- E-Commerce in Bahrain: Fact or Fiction (May 2000)
- Bahrain: Expansion Program of Bahrain Petroleum Company (December 1999)
- Bahrain: Opportunities for U.S. Suppliers of Medical Equipment (December 1999)
- Bahrain: U.S. Suppliers Losing Calcined Coke Market; Marginal Opportunities Remain for Green Coke (November 1999)
- Bahrain: Revamping Government Oversight of Insurance Industry to Encourage Growth (January 1999)

Please contact the U.S. Embassy at usmanama@batelco.com.bh for copies of these reports.

- Agricultural Reports (provided by ATO, Dubai):
- Annual Marketing Plan
 - Agricultural Export Opportunities Update Reports
 - American Food Directory in the GCC-5

- Guide for Doing Business in the Gulf
- Update of U.S. Agricultural Exports to the GCC-5
- GCC-5 Food Retail Sector Report
- Bahrain Food and Agricultural Import Regulations and Standards
- GCC-5 Dry Pulses Market Brief
- GCC-5 Food Industry Report

Note: Reports are available from the Reports Office, USDA/FAS, AG Box 1052, Washington, DC 20250 and from the FAS Home Page on the Internet at the following URL: <http://www.fas.usda.gov>.

XIII. TRADE EVENT SCHEDULE

For 2000-2001, the events thus far announced for the Bahrain International Exhibition Center and at other venues include:

Middle East Petrotech 2000

September 26-28, 2000

3rd Middle East Refining and Petrochemicals Exhibition and Conference

-- Petrotech is billed as the leading regional forum for the downstream industry.

Human Resources Development Middle East 2000

October 3-6, 2000

2nd International Education, Training and Human Resources Development Exhibition and Conference for the Arab World

-- Human resource development, estimated to be a USD 5 billion industry in the region, is crucial as governments grapple with demographic and employment issues.

Fashion Arabia 2000

October 16-19, 2000

Interclean Gulf

October 17-20, 2000

-- International exhibition for the cleaning industry

Middle East Industrial Security Conference and Exhibition

October 22-26, 2000

Jewelry Arabia 2000

November 7-11, 2000

9th Middle East International Gold, Jewelry, Clock and Watch Exhibition

Life & Style Arabia 2000

November 7-11, 2000

Middle East International Designer Fashion Fair

The Bahrain Motor Show
November 17-21, 2000

Autumn Fair
December 21-31, 2000
-- Over 200 companies from across the globe will display primarily consumer goods.

Ideal Homes 2001
January 27-February 1, 2001
2nd International Homes exhibition

MECOM 2001
February 3-6, 2001
11th Middle East International Information-Communications Show and Conference
-- MECOM brings together key players in the region's communications industry.

Middle East Broadcast 2001
February 3-6, 2001
5th Middle East International Exhibition and Conference for the Radio, Television and Programming Industry

Fashion, Perfumes, and Gifts
February 27-March 8, 2001
-- 2nd annual show will attract over 200 participants.

Arab Power & Water exhibition
March 17-20, 2001
Middle East International Power Generation Exhibition and Conference

MEOS 2001
March 31 - April 3, 2001
12th Society of Petroleum Engineers Middle East International Oil and Gas Show
Conference
-- MEOS remains the pre-eminent oil and gas show in the region.

Bahrain Summer Fair
May 31-June 8, 2001

Middle East Health
October 17-20, 2001

The Bahrain International Exhibition Center (BIEC) is a modern, air-conditioned facility, featuring 8,000 square meters of covered exhibition space plus parking for 500 cars. The exhibition center has enhanced Bahrain's position as a venue for trade shows and conferences in the Gulf region. Bahrain is easily accessible by car via the King Fahed

Causeway from Dhahran, Saudi Arabia. Frequent air service is also available from the other Gulf States, as well as from major European and South Asian commercial centers.

Bahrain International Exhibition Center
P.O. Box 11644
Manama, Bahrain
Tel: (973) 550-111
Fax: (973) 553-447
E-mail: biec@BATELCO.com.bh
Home Page: www.alnadeem.com.bh/biec

Several major hotels also offer first-class facilities for conference and exhibitions:

Gulf International Conference Center
Gulf Hotel
Tel: (973) 726-159
Fax: (973) 726-129
E-mail: ghbc@batelco.com.bh
Home page: www.gulfhotelbahrain.com

Bahrain Conference Center
Holiday Inn
Tel: (973) 531-122
Fax: (973) 530-154

Le Royal Meridien Hotel
Tel: (973) 580-000
Fax: (973) 582-240
Home page: www.meridien.com.bh

Most international trade exhibitions in Bahrain are organized by Arabian Exhibition Management (AEM), a Bahrain-based affiliate of the U.K.-based Montgomery Organization. Other trade exhibition companies also operate in Bahrain.

Arabian Exhibition Management WLL (AEM)
P.O. Box 20200
Manama, Bahrain
Tel: (973) 550-033
Fax: (973) 553-288
E-mail: aeminfo@batelco.com.bh

INTEX Exhibitions
P.O. Box 3300
Manama, Bahrain
Tel: (973) 536-000
Fax: (973) 5340-440

International Trade & Exhibition Middle East
P.O. Box 11088
Manama, Bahrain
Tel: (973) 293-339
Fax: (973) 292-999

Media Centre WLL
P.O. Box 5746
Manama, Bahrain
Tel: (973) 643-981
Fax: (973) 643-982