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TRADE POLICY REVIEW

Report by

BAHRAIN

Pursuant to the Agreement Establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), the policy statement by Bahrain is attached.

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

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I. INTRODUCTION

1. Being the only Island States in the region, and having a small population and limited resources, Bahrain has traditionally adopted an outward looking posture to the world at large, and has thrived on sea-bed pearl prospecting, sea-borne merchandising, and trans-shipment. The discovery of oil in the early 1930's triggered the start of the new era.

2. Against this background, the Bahraini population, from both genders, has become highly skilled, market minded, and private business oriented. It is no accident that basic services like education, healthcare and hospitality, have been launched in Bahrain ahead of many other peer countries, and no wonder then that Bahrain was welcoming foreign investors as early as the first half of the last century, and has now fully embraced an open market philosophy as a means of underpinning future economic development.

3. Today, Bahrain is one of the major commercial centers of the world, in the heart of the Arabian Gulf, and with strategic access to Asian and European markets. Bahrain is also one of the most attractive financial, and investment destinations in the world, ranking high among the world's freest economies and most friendly investment destinations. Almost all sectors, including telecommunications are completely open to foreign investor participation, either on a 100% ownership basis or in joint venture.

4. Bahrain's strong showing in the 2007 Heritage Foundation Index of Economic Freedom as being the freest economy amongst Arab countries, and ranked 39th overall in the world, is an indication of Bahrain's liberal policies and practices.

5. Bahrain's banking system ranks on a par with developed countries, and is rated in Category B of the Fitch Banking Sector Indicator, as a reflection of the quality and strength of the intrinsic banking system. Furthermore, current economic reforms have encouraged international rating agency Standards and Poors to raise Bahrain FC ratings to (A) with (Stable) Outlook in 2006. In addition, Fitch Ratings has upgraded the outlook of Bahrain from Stable to (Positive).

6. Bahrain's position as the banking and financial hub of the region was reaffirmed in February 2006, with the launch of the Middle East and North Africa (MENA) Investment Centre in Bahrain. The centre supports the joint MENA-OECD Investment Programme with the involvement of 18 countries, placing Bahrain in a pivotal regional role to assist with coordinating the investment policy research activities of the OECD in the region.

7. The award of "Middle East City of the Future", by the Financial Times business magazine FDI, is also a measure of the success of Bahrain in creating an environment conducive to inward investment.

8. Bahrain's economic growth rate in year 2005 rose to 7.8% compared to 5.6% in the previous year, with GDP at constant prices increasing to US\$ 9,286m from US\$8612.2m in 2004. This growth is attributed to improvement in most non oil sectors, particularly the financial sector, telecommunications, manufacturing, construction, education and health services.

9. As the private sector led developments focus towards a knowledge based economy built around a number of key high value sector clusters, designed to generate high-skill, high wage jobs to absorb the well trained and educated labour force, human resource development becomes of great importance. Already Bahrain ranks 39th globally, and second in the Arab world in the UN Human

Development Index, and women continue to play an effective role both in business and in social and political life.

10. Bahrain has used its limited oil resources to create an enabling environment under which its people, institutions and infrastructure have developed and transformed the country into a modern democratic nation; a nation which is welcoming and tolerant of all nationalities and faiths; which actively encourages inward investment; a nation which upholds the rule of law, and a Government which empowers the private sector to be the engine of growth.

11. The period from Bahrain's last Trade Policy Review has shown significant change in terms of economic transformation, but the next 6 years are projected to be nothing short of remarkable. Underscored by the democratic process, spearheaded by institutional reorganization and economic reforms, Bahrain is set to stand out in the Middle East region as an example of what can be achieved by a small nation which has invested heavily in its major asset, the Bahraini people.

II. NATIONAL DEVELOPMENT

12. The transition into a constitutional monarchy in 2002 based on a national referendum has resulted in political liberalization and strong backing for economic reform programs. Elections in 2006 following on from those in 2002 witnessed engagement from all parties and sections of society, and has brought with them a shift in perceptions of what can be achieved at an individual level, with an amplified sense of citizenship.

13. The commitment to openness and democracy has invigorated economic development strengthened Bahrain's one family spirit, and the Government has been reshaped in order to focus on the private sector as the economic driving force, and consequently has been gradually removing itself from involvement in the productive processes, through the process of privatization and divestiture.

14. A number of public boards and intergovernmental committees have been established to ensure full integration of the private sector into the economic development process, with the whole process being coordinated with the Bahrain Economic Development Board (EDB), which is focused on formulating and implementing Bahrain's economic development strategy.

15. An efficiency drive, spearheaded by the Civil Service Bureau, aims at strengthening the performance and efficiency of government departments, whilst at the same time the process of outsourcing will lead to a downsizing of Government.

III. ENHANCING PRODUCTIVITY AND CAPACITY

(1) POLICY INITIATIVES

16. Increased productivity is the principle economic growth trigger which is being adopted to ensure sustainable development, through a marriage of improving the use of technology, stimulating innovation, and creating a more productive and skilled labor force in line with market requirements.

17. Bahrain's private sector has historically been one of the most active sectors in the region, moving from a mercantile focus to develop sizeable industries and services, such as light manufacturing, retail, tourism, telecommunications and financial services. Small and Medium-sized Enterprises (SMEs) make up around 99% of all businesses in Bahrain

18. Oil remains an important element to the Bahrain economy in terms of its contribution to exports and the Government revenue. In order to maximize the potential from the Oil and Gas Sector, important changes have taken place with the formation of the National Oil and Gas Authority (NOGA), being responsible for all petroleum and gas related institutions and issues. The mission of the authority is to maintain and develop Bahrain's oil and gas resources, maintain production levels, optimize utilization and secure highest returns. In this respect several royal decrees and ministerial legislative acts have been issued for the purpose of organizing and facilitating the business environment in the sector, as well as rationalizing the utilization of energy resources.

19. The diversification process has resulted in Oil and Gas sector's contribution to real GDP dropping from 44.5% in 1980 to 11% by 2005, and indication of the extent of the diversification process. The Government expects that its reform measures aimed at stimulating productivity, will create an enabling environment which will more than double GDP per capita by 2015, and annual labor productivity of between 4-5%.

20. In order to increase productive capacity of both goods and services, the Government has set out to encourage inward investment and to remove all barriers to enable businesses to set up more efficiently. In 2006, Bahrain introduced new regulations governing the start-up of businesses in Bahrain, making the process easier, faster, more transparent, and low cost.

21. A new Company Law, now in the legislative process, will give focus to the SMEs, embodies relevant features from other developing and developed countries legislation, as well as key corporate governance and investment protection features (a separate Corporate Governance Code is in draft form and undergoing public debate). It is expected that the new law will have a significant impact on businesses by providing greater flexibility to act, yet at the same time providing an appropriate level of protection for minority shareholders.

22. The Government is a strong believer in open economy policies and free trade. Bahrain seeks to stimulate business through creating an efficient business environment by removing barriers to growth, (land, capital, infrastructure) creating private sector opportunities in economical, housing, industrial, tourism and other business development fields, and a level playing field in Bahrain, so as to ensure competition and improve productivity.

23. Bahrain is also keen to enable the development of a knowledge based economy, centered around a number of key clusters, which include *inter alia*, healthcare, technology based services, business services and financial services, supported by key infrastructure development in the living environment, hard infrastructure and education.

24. Bahrain believes that future sustainable economic development lies in the strength and competitiveness of its labour force and developing a robust entrepreneurial culture. Therefore, the Government has also embarked on a number of economic reform initiatives to:

- Transform the Government role from operator to regulator, by initiating business environment enablers and infrastructure.
- Empower Bahrainis with world class education and training to equip them with the skills needed to compete in the labor market.

25. The large scale infrastructure and policy initiatives over the past few years in Bahrain are also part of the holistic, long-term strategy aimed at positioning and enabling the private sector to be the engine of future growth.

26. The Government's comprehensive approach to enhancing economic performance includes encouraging inward investment, developing the industrial sector, building on its existing comparative advantage in certain sectors, particularly the financial sector, using Intellectual Property development as a key to encouraging investment in key sectors, such as pharmaceuticals, enhancing the productivity and competitiveness of its indigenous labour force, and using its Fiscal, Monetary and Trade policies, as well as the political stability of Bahrain, to the maximum advantage in order to leverage economic development.

(i) Encouraging inward investment

27. Foreign investment is encouraged in Bahrain, for the potential knowledge transfer and cross fertilization to domestic business which it provides, and this is reflected in the 100% ownership which is permitted across practically all sectors.

28. Key to the success of the inward flow of investment, has been the commitment of Bahrainis themselves to invest in Bahrain, and which represents approximately half of the total of private sector non-portfolio investment in Bahrain.

(ii) Developing industry

29. A new industrial policy has been adopted to position the industrial sector for qualitative diversification, so as to underpin future economic development, by attracting new technology, building innovative local capacity, strengthening SMEs and cluster linkages, diffusing innovation, maximizing impacts, leveraging strengths and building for the future.

30. The policy initiatives are complimented by the development of new industrial parks, to provide a world class infrastructure with excellent logistics and facilities, and includes a number of incubator projects, which are being supported by international institutions.

31. A new resolution of the Cooperation Council for the Arab States of the Gulf (GCC) Supreme Council with respect to the exemption of industrial installations from customs duties levied upon industrial inputs was adopted in 2004 and a GCC Unified Law Governing Industrial Licensing and a Unified GCC Law for Anti-dumping, countervailing and safeguard measures was adopted in 2006.

32. A \$1 billion science and technology park, in addition to two other main industrial investment parks (Bahrain International Investment Park and Bahrain Industrial Investment Wharf), is to be established over a two million square meter area, will be the base from which to build a dedicated international platform for research and development to serve the region and strengthen the pace of industrial development in Bahrain.

33. The new industrial policy is projected to increase industrial output by 2 -3%, add around 1000 high quality jobs per year, facilitate downstream migration, enhance the business creation rate, and build knowledge and value in industry.

(iii) Building on the financial services sector

34. A milestone was reached in 2006 in the country's financial history, with the establishment of the Central Bank of Bahrain (CBB), as successor organization to the Bahrain Monetary Agency (BMA) and as a central bank and regulator of Bahrain's financial services industry, including the regulation of insurance and the capital market.

35. In April 2005, the CBB established a comprehensive regulatory framework to protect insurance policyholders, maintain market confidence and apply international standards of regulation.

36. In June 2006, the Bahrain Economic Development Board (EDB) announced the establishment of The Bahrain Financial Services Development Bureau (BFSDB), to provide a platform for developing the financial services sector in Bahrain.

(iv) Importance of intellectual property rights

37. Bahrain believes strongly that the innovative ideas and products emerging from the Research & Development sectors need to be effectively protected and converted into valuable intellectual property assets. Consequently, during 2006 six new laws were promulgated covering Trademarks, Patents, Industrial Design, Trade Secrets, Geographical indication and Integrated Circuits, which are aimed at harmonizing and streamlining the formal procedures in respect of the national registration of all industrial property rights, with a strong emphasis on protection and enforcement.

38. The Intellectual Property Laws are viewed as a means of encouraging inward investment, particularly in sectors such as pharmaceuticals which relies heavily on the protection which these laws provide for producers. Evolving national, regional and international intellectual property regimes will impact on business processes as well as providing new growth opportunities and challenges for the future, and providing strong protection against imitations, infringements, piracy and the phenomenon of aggression against the rights of Intellectual Property

39. Intellectual Property is a valuable corporate asset and a strategic business tool. As a result of issuing the above mentioned Industrial Laws and becoming a member of various international treaties and conventions, there has been a dramatic growth in the registration of national and international trademarks with the number of trademark registrations in Bahrain in 2006 raising to 6349 Trademark compared to 3298 in 2005.

40. Bahrain also acceded to the Madrid Protocol on 15 December 2005 and the Patent Cooperation Treaty on 18 March 2007. Bahrain also became member of the Nice Agreement and the Patent Law Treaty (PLT), and will shortly become a member of the Trademark Law Treaty (TLT), the Vienna Agreement and the Budapest Treaty. In 2005 Bahrain also became party to the WIPO Copyright Treaty and the Performances and Phonograms Treaty and in 2006 acceded to the Rome Convention for Protection of performers Producers of Phonograms and Broadcasting Organization.

41. A new Copyright Law # 22 was issued in 2006, and a Ministerial Order issued in the same year regarding the publication of court judgments and decisions relating to the implementation of the Copyright Law.

(v) Competition

42. Whilst monopolies and cartels - not considered to be in the public interest - are not permitted under the consumer law. Bahrain does not currently have a Competition Law *per se*. Nevertheless, the Government is considering such legislation.

43. In 2005, the Bahrain National Competitiveness Council (BNCC) was formed with the aim of monitoring and reporting on Bahrain's economic performance as well as raising awareness of the need for the constant assessment of Bahrain's competitive performance. Through its awareness campaign, the BNCC intends to impart an understanding of competitive rankings and promote their use as policy and business decision tools.

(vi) Privatization

44. Since 2006, privatization has been accelerated, with the privatization of the power generation, public transport, and deregulating the communication sector. To strengthen the momentum, a structural framework has been put in place, including a high Committee for privatization formed under Law no 41 of 2002, consisting of representatives of EDB, Ministry of Finance (MOF) with Minister of Finance as the Chairman, with the responsibility for making policy decisions on privatization.

45. The World Bank has been also been involved in the preparation of a blueprint on future privatization covering a ten year program. In addition, a new Holding company (Mumtalakat), has been formed, responsible for the operation of majority owned government companies among others. The companies within the Mumtalakat are themselves candidates for privatization, as well as the Mumtalakat itself.

46. Separate transactions teams which include EDB, MoF, and the relevant sector Ministry have been established to carry out each transaction, and with due consideration being given to the establishment of multi sector regulators to ensure that delivery of service is in accordance with best practice.

47. So far the privatization of the Equestrian & Horse Racing Club, Postal services, a new IWPP (Power and Water), sewerage network and treatment plants, have been approved, and it is anticipated that many more will follow.

48. In its major move to privatize its Port Sector, Bahrain handed over Mina Salman Port operations from the Ministry of Finance to A.P.Moller Terminals (APMT) Bahrain, on 8 December 2006. This concluded four years of determined efforts to privatize Bahrain Ports. This handover is considered to be the largest privatization project in Bahrain's history with 700 government employees involved.

49. The privatization of ports in Bahrain reflects the government's policy to support the national economy by developing the ports and sea-born trade in addition to other related sectors. Part of that policy was also to create the Shaikh Khalifa bin Salman Port with its adjacent free zone and industrial areas which is located at the south of Hidd.

50. By this the government presents the three major factors necessary to develop the maritime transportation sector in Bahrain which are the development of the infrastructure, the increase of ports handling efficiency, and the formation of a development and monitoring body to ensure smooth operations.

(vii) Human resource development

51. The population growth rate in Bahrain has reduced over the past 10 years from 3.6% to a current level of 2.7%, and with the population now standing at an estimated 650,000, with 62% being Bahraini. Bahrain, is a firm believer that its main natural resource is that of its people, and equipping the national workforce to benefit from labor reforms, by enhanced education and training, is a policy priority.

Labour Market Reforms

52. In 2004, Bahrain embarked on an ambitious, comprehensive initiative to make structural reforms in the labor market, aimed at reducing the unemployment rate amongst Bahrainis to less than 4% within 15 years. At the crux of this initiative are two overarching objectives:

- encourage the private sector to become the engine of growth in Bahrain
- make Bahrainis the employee of choice for private sector employers

53. As part of building the institutional capabilities, two new agencies were created, the Labor Market Regulatory Authority and the Labor Fund.

Education Reform

54. Bahrain launched a comprehensive reform of its education system in 2005 covering all educational levels, so as to help improve the competitiveness of Bahrainis in the labor market. Four current initiatives include, creating an independent Quality Assurance Authority (QAA), strengthening the teaching profession, establishing a polytechnic, and improving upper secondary vocational education.

(viii) Fiscal policy

55. The 2005-06 Government Budget was based on a conservative forecast of oil revenues. For the 2006 budget, spending was budgeted to increase on both recurrent (4.4% over 2005 budget) and capital (16.5% over 2005 budget) for a total budgeted expenditure of BD1.58 billion (\$4.2bn) against budgeted revenues of BD1.27 billion (\$3.4b) for 2006.

56. Oil accounts for around 70% of the total budgeted government revenue, however structural reforms in recent years, particularly in terms of privatization underpins Bahrain's prudent fiscal policy for the future, and will support the growth of the non-oil sector.

57. The establishment of the Public Tenders Board and the National Audit Bureau is expected to contribute to reducing government expenditure and enhancing transparency.

58. Prudent management of its resources in the face of dwindling oil stocks, and an early start on diversification after the discovery of oil in the 1930s, together with an open-market policy, has resulted so far in Bahrain not imposing a taxation regime, and which has been a feature in Bahrain's investment incentives.

(ix) Monetary policy

59. The Central Bank of Bahrain is responsible for setting monetary policy objectives, carrying out monetary operations and ensuring the health of the financial sector. Its objectives are:

- To protect the value and ensure price stability of the currency both internally and externally.
- To ensure stability of Bahrain's financial markets.
- To promote Bahrain as an international financial centre.

60. Bahrain follows a policy of maintaining a fixed exchange rate against the United States dollar. Bahrain and the other GCC countries all agreed to have their currencies pegged to the U.S. dollar, as a first step towards creating a GCC Monetary Union, scheduled for 2010.

(x) Stability

61. The Government believes that political and economic stability are the key enablers of growth and the principle determinants of the level of inward investment, and that the democratic process is fundamental to achieving such stability in the long term.

62. Monetary stability and a well developed financial system significantly mitigate Bahrain's vulnerability to economic shocks, as does the demand led nature of developments.

63. Bahrain is also less at risk to the migration of labor, since Bahraini citizens substantially outnumber foreigners, and which is also a good proxy for the quality of the local workforce.

(2) GROWTH SECTORS**(i) Tourism**

64. The Government envisions Bahrain becoming a high-quality leisure and business tourism destination for the outbound markets of the Middle East, Europe and Asia, and a process of redefining the tourism vision and roadmap and anchoring it with the key stakeholders started in June 2005.

65. Bahrain is strategically located as gateway to the Middle East and has the added attraction of a safe and pleasant environment, warm climate, together with history ,culture, traditions and international events.

66. Bahrain is a country of diversity- a financial hub with the presence of major multi-national companies, a cultural centre with rich archeology and traditions, and a haven for tourism with a wealth of activities, places to visit and friendly people.

67. The number of international overnight visitors grew at the rate of 12.4% between 1995 and 2002, and with 70% of visitors originating from the GCC, and of these 89% coming from Saudi Arabia, there is ample opportunity to increase the flow of non-GCC tourism, particularly as linkages are developed with the Health, Education, Financial and Exhibition and Conferences sectors.

68. The growth in tourism revenues levied on hotels and tourism apartments has also increased progressively over the past few years, risin from BD 3.382 million(\$8.9m) in 2002, to reach BD 5.812 million(\$15.4m) in 2006. The average per annum growth rate at 14.83%, is another clear indication of the potential for tourism in Bahrain.

69. In addition to the causeway linking Bahrain with Saudi Arabia, a planned new bridge linking Bahrain to Qatar, to include both road and rail transportation, will enhance future transshipment and tourism opportunities.

(ii) Financial services

70. In 2005 the financial sector represented 27.6% of GDP compared to 25% in 2004, and there is a growing market demand for financial services and products, particularly for Islamic financial instruments, and with the first launch of the Bahrain Financial Harbor scheduled for 2007, growth is set to continue.

71. Bahrain is currently home to 373 financial institutions, with total Banking Assets of US\$163 billion at June 2006. The sector contributed some 27.6% to GDP in 2005.

72. Bahrain has become host to the largest number of Islamic banks in the world, as well as a growing support industry. There are 134 Islamic financial institutions, which includes banks, insurance companies and investment funds.

73. Bahrain has also invested \$10 million to create a centre for studies, research and training for the Islamic banking industry, to complement the already well respected Bahrain Bankers Training Centre. Bahrain is also home to the Accounting and Auditing Organization for Islamic Financial Institutions.

74. A new Trust Law, issued in 2006, will create a well regulated environment for the development of trustee and trust administration services.

75. Insurance is a well developed industry in Bahrain (80 companies) , and has an important growth potential.

76. Bahrain was the first country to standardize the practice of the Takaful and Retakful industry (insurance and reinsurance) and to establish a specific regulatory framework for this purpose.

77. Overall initiatives in the Financial sector are anticipated to grow GDP contribution and employment opportunities in the period to 2015 to BD1.6 billion and creating 5,700 new jobs.

(iii) Manufacturing

78. The manufacturing sector showed massive gains of 47.8% in year 2005 in its contribution to GDP, with current contribution standing at 13.1% of total GDP. New Industrial projections anticipate a tripling of the sector contribution to GDP by 2020.

(iv) Telecommunications

79. In 2002, the Telecommunications Law was issued by Legislative Decree No. (48), to set out the basic and general policy of the government regarding the sector, and since that date, the Telecommunications sector has been undergoing comprehensive change through a government policy that seeks to rapidly create a free market environment to attract new private sector entrants.

80. An independent Telecommunications Regulatory Authority (TRA) was established to regulate the telecommunications sector, assist in the availability of high quality competitive services, and issue licenses to operate and use spectrum through transparent procedures.

81. To-day, the telecommunications market in Bahrain is completely open to foreign investors, and the TRA continues striving to improve the domestic environment in order to facilitate and encourage new entrants in fixed line, mobile and other services.

(v) eCommerce

82. Bahrain's level of Information and Communications Technology (ICT) development and competitiveness , strong e-Government position and high level of eCommerce uptake, in part reflects the efforts made by the Government to implement ICT policies in infrastructure, institutions,

legislation and education, and to create a supportive environment for the adoption of ICTs, and will drive the country's technological development and support the creation of a knowledge based society.

83. The ICT sector has been growing rapidly during the past five years, in particular e-government, which is well advanced, as well as e-financial and IT services, underpinned by the regulatory environment of transaction laws, a set of standards for accrediting international certificate authorities, and as a result of initiatives, by both the private and public sector participants to raise person computer penetration and through targeted training to boost Human Resource Development and business eReadiness.

(vi) Construction

84. Construction is a boom sector, attracting much new local and foreign investment, to take advantage of Bahrain's zero taxation, 100% ownership, family oriented and relaxed cosmopolitan environment.

(vii) Education

85. Bahrain is home to a growing number of private schools, colleges, universities and vocational training institutions, and the demand is expected to continue to grow in order to cater for the demands of residents, and to serve the regional market, particularly Saudi Arabia.

86. A number of initiatives are currently underway to attract regional students, looking for a GCC environment, to take advantage of high quality affordable education in Bahrain as an alternative to going overseas.

(viii) Healthcare

87. The demand for high quality and affordable private healthcare services, which is growing at the rate of around 8% annually, has created the need for modern infrastructure and skilled manpower expansion, and the opportunity to accelerate the Government's privatization program in this sector. Bahrain is keen to liberalize health services, as part of its national health policy objectives, and opportunities exist for investment in specialized health services, drugs, disease control, food safety, technology, biotechnology, health information system, health insurance and human resource development.

88. Bahrain is a net food importer, and the Codex Alimentarius is the main source for developing national standards, which can influence trade in foodstuffs.

IV. TRADE POLICY

89. Bahrain is currently a net importer of manufactured products. The economy is services based, but with a growing industrial capability, the expansion of which is being actively pursued as a policy objective by the Government. The Government is also a strong supporter of free markets and an open rules based global trading system, advocating economic openness as a strong development trigger, to encourage and facilitate export of its products and services, as well as to strengthen domestic capacity and competitiveness by encouraging inward investment.

90. Having maintained its position as the financial capital of the Middle East, Bahrain is aiming to become a key regional trading hub, and retail trade center. Bahrain has traditionally cherished trade liberalization and efficient international trade transactions, enhanced by its causeway connections to Saudi Arabia and eventually to Qatar, which would support its Trade Facilitation and supply chain logistics potential, not only with its GCC partners, but also with the world at large.

91. Import trade enjoys duty free entry for most basic raw materials, industrial inputs and basic foodstuffs. Of the remaining goods which are dutiable over 90% of these incur very low customs duties of between 0 and 5%.

92. Bahrain's trading environment is stable and transparent. There are no import restrictions except for patrimonial heritage, environmental, health or security considerations.

(1) BAHRAIN AND THE WORLD

93. As a founding member of the World Trade Organization (WTO), Bahrain is a very keen proponent of the Multilateral Trading System. It also takes pride in the diligent implementation of all legislative and institutional requirements for the implementation and enforcement of all WTO agreements and applications. As a small economy, Bahrain endorses the staunch application of the

Special and Differential Treatment for developing and small economy countries, and values the fairness and objectivity of WTO's Dispute Settlement Body.

94. Bahrain's active participation in the Doha Round of Multilateral Trade Negotiations (MTN) is evidenced, by the positive offers and proposals, submitted to different areas of the negotiations, especially in the field of services, to which Bahrain attaches great importance, in particular financial services, construction, telecommunications, transportation, and tourism. Hoping that services' negotiations will result in more effective market entry offers, especially under Mode 4 of services delivery.

95. As far as Non Agricultural Market Access (NAMA) is concerned, Bahrain welcomes a fair and balanced tariff reduction formula, or approach, which would allow small and developing countries to achieve rewarding industrial policies and diversification objectives, to support national and niche industries, job creation and viable SMEs. Bahrain upholds Doha, and Hong Kong mandates for eliminating market access barriers, tariff escalation, tariff peaks, in particular on products of export interest to developing countries.

96. Trade Facilitation successful negotiations and agreement is one of Bahrain's priorities to ensure supply chain logistics' development, technical and legislative adjustment requirements, standards and conformity implications, HRD and trade capacity building. Bahrain also supports the positive and equitable implementation of the Aid For Trade initiative with sufficient funds and active involvement of all agencies involved with the WTO .

(2) BAHRAIN AND THE REGION

(i) GCC membership

97. Bahrain is a founding member of the Gulf Cooperation Council (GCC), along with Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates. Since 1981, the free-trade area has been effected among GCC members by eliminating customs duties on all the products originating in the member states.

98. In December 2001, the GCC Economic Agreement was signed to provide for GCC Customs Union, and the harmonization of economic, financial, and monetary policies, with a view to achieve more economic integration through the establishment of the Gulf Common Market (GCM), and the Gulf Monetary Union.

99. In addition to cultural and kinship ties within the region, the GCC provides Bahrain with common regional economic, social and political stability, economies of scale, industrial complementarity, and trade creation advantages.

100. The GCC is presently engaged in negotiating a Free Trade Agreement (FTA) with the European Union (EU). Other FTAs are also anticipated with other regions and countries like European Free Trade Association (EFTA) , Japan, Southern Common Market (MERCOSUR), China, India, Pakistan, Singapore, and Turkey.

(ii) GAFTA membership

101. Bahrain is also a founding member of the Greater Arab Free Trade Area (GAFTA), which was signed on 19 February 1997, entered into force on 1 January 1998, and supposed to have

eliminated most tariffs among its members on the 1st of January 2005. At present Bahrain is negotiating within GAFTA a regional agreement for trade in services, where Bahrain and most member countries have greater competitive advantage.

(iii) Bilateral agreements

102. Bahrain, as of August 2006, has a bilateral FTA with the United States, and maintains over 40 bilateral agreements in various fields, such as: investment encouragement, avoidance of double taxation, economic, trade and technical cooperation.

ANNEX I : TRADE RELATED TECHNICAL ASSISTANCE

1. While Bahrain, is a small sized economy, yet, it is determined to play a leading Role in the Multilateral Trading System, and reaping it's full rewards, by becoming the region's trading and investment hub, after successfully, retaining the first position in financial services.

2. Accordingly, Bahrain's technical cooperation requirements include the following areas:

- Enhancing Aid for Trade related technical and institutional support, within the WTO and other relevant international institutions and funds;
- Trade Facilitation legislative and logistic requirements, customs valuation money laundering, and fraud prevention, support and HRD;
- Supply- chain infrastructure enhancement, and adjustment needs;
- IPR institutional upgrading, and HRD;
- Sanitary and Phytosanitary (SPS), Technical Barriers to Trade (TBT), and Standards institutional upgrading, notifications and HRD;
- Multilateral Trade Negotiations (MTN) and FTAs Negotiating Skills upgrading, and HRD;
- Export promotion technical and institutional support;
- Trade capacity building, and competitiveness enhancement, awareness, and networking;
- Enhancing institutional capacity and export potential in negotiations and implementation of trade in services agreements;
- Development of competition policy and legislation; and
- Ensuring Bahrain's participation in national, regional and international HRD and training programs for government, parliamentarians, and private sector.

ANNEX II: CONTRIBUTORS TO THIS GOVERNMENT REPORT

1. The Ministry of Industry and Commerce; the Ministry of Finance; the Ministry of Health; the Ministry of Information; the Ministry of Labor; the Ministry of Municipality Affairs and Agriculture; the Central Bank of Bahrain; Civil Aviation Affairs; Customs, Ports and Free Zones Affairs; Economic Development Board; National Oil and Gas Authority; Telecommunications, Frequency and Postal Affairs; Telecommunications Regulatory Authority, Tenders Board; and Tourism Affairs.
