

TRADE POLICY REVIEW

BAHRAIN

Report by the Government

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 the Government of Bahrain is attached.

CONTENTS

	<i>Page</i>
I. ECONOMIC DEVELOPMENTS	5
(1) DEVELOPMENTS IN 1998	5
(2) PRELIMINARY OUTCOME FOR 1999	5
II. KEY ISSUES AND POLICIES	6
(1) FINANCIAL SECTOR	6
(2) FINANCIAL POLICIES	7
(3) TRANSPARENCY	8
III. GENERAL INVESTMENT CLIMATE	8
(1) AREAS FOR POTENTIAL INVESTMENT	8
(2) INCENTIVES FOR FOREIGN COMPANIES	9
(i) Establishing an industry	9
(ii) Tax, duty and ownership incentives	9
(iii) Active government support	9
(iv) Labour force and amenities	9
(v) Stable currency	10
(3) LEGAL STRUCTURE OF COMMERCIAL COMPANIES	10
(4) GOVERNMENT POLICY ON PRIVATIZATION	10
IV. MONETARY POLICY	12
(1) THE BAHRAIN MONETARY AGENCY	12
(2) EXCHANGE RATE REGIME	13
(3) INTEREST RATES	13
(4) GOVERNMENT SECURITIES	13
(5) CREDIT POLICY	13
(6) CAPITAL MOVEMENT AND TAXATION	13
V. IMPLEMENTATION OF URUGUAY ROUND COMMITMENTS	13
(1) TARIFFS	14
(2) AGREEMENT ON IMPORT LICENSING PROCEDURES	14
(3) AGREEMENT ON AGRICULTURE	14
(4) AGREEMENT ON TECHNICAL BARRIERS TO TRADE.	15
(5) AGREEMENT ON THE APPLICATION OF SANITARY AND PHYTOSANITARY MEASURES (SPS)	15
(6) ANTI-DUMPING AND COUNTERVAILING MEASURES; AGREEMENT ON SAFEGUARDS; AGREEMENT ON PRESHIPMENT INSPECTION	15

	<i>Page</i>
(7) AGREEMENT ON SUBSIDIES AND COUNTERVAILING MEASURES	15
(8) AGREEMENT ON CUSTOM VALUATION	15
(9) GENERAL AGREEMENT ON TRADE IN SERVICES (GATS)	16
(10) AGREEMENT ON TRADE-RELATED ASPECTS OF INTELLECTUAL PROPERTY RIGHTS (TRIPS)	16
(11) AGREEMENT ON GOVERNMENT PROCUREMENT	16
(12) TRADE IN INFORMATION TECHNOLOGY PRODUCTS (ITA)	16
VI. FUTURE NEGOTIATIONS	16
(1) FUTURE NEGOTIATIONS	16
(2) ELECTRONIC COMMERCE	17
(3) ACCESSION	17

I. ECONOMIC DEVELOPMENTS

(1) DEVELOPMENTS IN 1998

1. Recent macroeconomic performance has been strongly affected by the large swings in world oil prices. In 1998, the average export price of Bahraini crude oil plunged by 35%, thereby causing substantial budget and balance of payments deficits. Notwithstanding the terms-of-trade shock, domestic demand remained strong and the rate of economic growth accelerated, rising to 4.8%, thanks primarily to an increase in both crude oil production (from the Abu Saafa field) and overall investment. In the non-oil sector, economic activity increased by 3.6%, reflecting growth in the retail and wholesale trade, tourism and utility sectors. Consumer prices fell slightly owing mainly to a fall in import prices.

2. The state budget experienced a sharp deterioration. As a result of the large drop in oil prices, and hence fiscal receipts, the small surplus achieved in 1997 turned into a deficit of 6.5% of GDP in 1998. No new revenue-raising measures were introduced in 1998. Instead, a cut in budgeted current expenditures of 5% was applied across-the-board, with exceptions made for priority spending programmes (primarily in healthcare and education) and the 3% annual increment in wages and salaries. Food (lamb and beef) subsidies were cut and a freeze on civil service employment was introduced; in fact, civil service employment fell by 1.4%. Net extra budgetary operations recorded a surplus, and the overall fiscal deficit was equivalent to 4.0% of GDP, nearly the same as in 1997.

3. The consolidated balance sheet of Bahrain's banking system (commercial banks, offshore banking units, and investment banks) rose from US\$83.5 billion at end-1997 to US\$99.4 billion at end-1998, an increase of 19.0%. Offshore banking units accounted for 88.0% of the total balance sheet of the banking system at end-1998, while commercial and investment banks accounted for 8.8% and 3.2% respectively. Interest rates in Bahrain continued to track closely those on U.S. dollar denominated short-term assets.

4. The balance of payments in turn mirrored the lower world prices for Bahrain's oil and aluminium exports. Trade balance moved into deficit, and the current account deficit increased, from 0.5% of GDP in 1997 to 12.6% in 1998. This was matched by a surplus on the financial and capital account and an increase in net errors and omissions. The overall balance in Bahrain's balance of payments registered a deficit of BD 6.3 million in 1998.

(2) PRELIMINARY OUTCOME FOR 1999

5. Preliminary assessment of the economic situation in 1999 indicates a better record. The average export price of crude oil partly recovered, rising to US\$17 a barrel, and world aluminium prices stabilized. The expansion of oil output decelerated to 2.9% as a result of a temporary (two-month) halt of production at the Abu Saafa field. At the same time, the performance of the non-oil sectors continued to be robust, recording an average growth rate of 3.8%, thanks to a pick-up in financial sector services, tourism, manufacturing, and construction. Private sector demand receded and savings rose. Consumer prices fell in line with declining import prices.

6. The state budget deficit contracted to 2.4% of GDP consequent upon the recovery of oil prices and revenues. A number of non-tax revenue measures, approved in late 1998 and implemented in 1999, also contributed to the increase in public revenues. At the same time, policies involving restraining expenditures were maintained and outlays were held closer to the budget allocations, which provided for a modest increase of 2.5% over the 1998 levels. Measures applied included, *inter alia*, continuation of freezing policy of hiring, a limited salary increase, restricted to the normal

3% annual increment, and a drop in capital expenditures. Education and health continued to be priority areas in which outlays increased more rapidly than in others.

7. The consolidated balance sheet of the banking system in Bahrain (commercial banks, offshore banking units, and investment banks) rose from US\$99.4 billion at end-1998 to US\$102.1 billion at end-1999, an increase of 2.7%. Offshore banking units accounted for 86.4% of the total balance sheet of the banking system at end-1999, while commercial and investment banks accounted for 9.7% and 3.9% respectively.

8. The balance of payments benefited from the recovery in world oil prices. The goods balance switched from a deficit of BD 10.7 million in 1998 to a surplus of BD 270.4 million in 1999. The result was a reduction in the current account deficit from 12.6% of GDP in 1998 to 6.3% of GDP in 1999. As a result, Bahrain's overall balance of payments registered a surplus of BD 9.6 million in 1999.

II. KEY ISSUES AND POLICIES

9. Indications are that the Bahraini economy will continue its strong performance in 2000 thanks to such factors as the return to normal of crude oil production at the Abu Saafa field, higher world oil prices and strict financial policies. Notwithstanding the uninterrupted implementation of prudent policies involving the establishment of an open and private sector oriented economy, Bahrain still faces the challenges of enhancing economic growth and diversification as well as generating increased employment opportunities for its citizens.

10. Economic objectives in the medium-term involve continued diversification of the economic base, with emphasis on downstream oil and aluminium activities, financial services, tourism, knowledge-based industries, and encouraging small and medium size enterprises. Generation of more employment opportunities represents another important goal. In order to achieve these objectives, several measures have been adopted, notably promoting the private sector, mainly by maintaining an open economic system attractive to foreign direct investment, ensuring a well-supervised financial sector, streamlining the regulatory environment, upgrading infrastructure and redefining the role of the government.

11. The reform strategy has so far proved a success. It has manifested itself, among other things, in government services and public enterprises being privatized, simplifying administrative business licensing procedures, and promotional activities for attracting foreign direct investment.

12. Aimed at creating more jobs, the employment strategy rests on four pillars. These are increasing productivity by investing in human skills through the education system and training programmes; helping nationals find suitable jobs through employment placement centers; encouraging the private sector to employ national employees; and improving conditions in the work place.

(1) FINANCIAL SECTOR

13. Bahrain's small economy notwithstanding, the financial system is well diversified. As of end-1999, the financial system in Bahrain comprised some 176 financial institutions. This included 19 full commercial banks (FCBs), 48 offshore banking units (OBUs), 33 investment banks (IBs), 2 specialized banks, 19 money changers, 36 representative offices, 6 foreign exchange and money brokers, and 13 investment advisory and other financial services. The sector's contribution to the GDP is around 23%, more or less the same share as the oil sector. Banks are profitable, adequately capitalized, and hold high quality assets. The sound management of Bahrain's banks together with the

BMA's prudent regulatory and supervision policies have enabled the sector to withstand the recent volatility of world financial and oil markets.

14. Bahrain's transparent legal framework supports the sector's growing role as a major financial center in the region. The financial sector is open to foreign investors with virtually no restrictions on capital ownership. The BMA has successfully introduced and enforced international standards and best practices in accounting, auditing, prudential regulation, and banking supervision. The BMA's recent efforts to develop a comprehensive regulatory and operational framework for Islamic banking will further help to reinforce Bahrain's position as a leading Islamic financial center.

15. The BMA applies a comprehensive and effective off- and on-site monitoring system of financial institutions, complying in general with the standards set out in the Basle Core Principles for Effective Banking Supervision. Following an IMF report on compliance with the Basle Core Principles of Effective Banking Supervision, further improvements are still being pursued in the following areas: (i) greater legal independence of supervisory authorities, (ii) the provision of additional resources for financial supervision, and (iii) the legal definition of permissible "banking activities" and "banks".

16. The IMF noted in its report that the BMA had "achieved full compliance with 24 of the 30 Core (and sub-core) Principles and is largely compliant with another five (4 core and 1 sub-core) Principles. These 29 Principles cover virtually all of the supervisory factors that broadly encompass the fundamentals of a sound supervisory system".

17. The Bahrain Stock Exchange is adequately supported by modern computer equipment and information system. The average number of trades per day is about 70, and shares traded in each transaction stand at 400 on the average. Overall, there are 41 listed companies, with market capitalization amounting to around BD 2.7 billion, or approximately 115% of GDP at the end of 1999. Efforts are under way to strengthen the role of the stock exchange in the economy by increasing the number of listed companies, introducing new investment instruments, cross-listing shares at the regional level, and developing automated depository, clearing and settlement procedures. The Government is currently studying the possibility of opening the Stock market still further to foreign participation, both in terms of 100% ownership of listed companies, as well as services rendered to the Stock Exchange.

(2) FINANCIAL POLICIES

18. Efforts are being made within the framework of a medium-term expenditure strategy to promote fiscal consolidation by increasing non-oil revenues and restructuring expenditures. The ultimate objective is to balance the budget by 2006.

19. The combination of expenditure and revenue measures currently under consideration will allow the government to accommodate prospective pressures. Such pressures include retrenchment costs in the context of privatizing public sector activities, the upfront cost of the proposed Early Retirement Scheme and the cost of growing healthcare and education needs. In addition, expenditure restraint is being exercised through the existing freeze on the size of the civil service and the relative wage structure. However, at the same time the Government is aware of the need to maintain the attractiveness of civil service employment in order to attract highly qualified and skilled employees so as not to erode the capacity of the government to play an effective role in the economy.

20. Similar favourable trends are projected for the balance of payments in 2000 and beyond. However, the authorities remain mindful of the vulnerability of the external position to developments in world prices of oil and aluminium. On the basis of the IMF's WEO price projections, Bahrain's oil

export prices are expected to initially rebound to US\$23 per barrel before settling at around US\$17.5 per barrel. Based on the assumption that the existing agreement on the Abu Saafa oil field is maintained and production from the Awali field declines by 1% a year, revenues from oil and oil-related exports are expected to reach about US\$3 billion. With the continued implementation of diversification policies non-oil exports are projected to increase by about 4% a year. Efforts aimed at consolidating the fiscal position and promoting export-oriented private sector investment would largely improve the external position.

21. The conduct of monetary policy continues to be geared towards maintaining the de facto link between the national currency and the U.S. dollar. Together with prudent and effective supervision of the financial system, this policy has contributed to low inflation and interest rates in line with those prevailing in the USA.

(3) TRANSPARENCY

22. Attracting foreign direct investment and promoting the private sector are essential for maintaining sustainable growth. In this context transparency proves a *sine qua non* for creating the enabling environment for private sector investment.

23. In order to improve transparency, efforts are being made to ensure timeliness and coverage quality of economic and labour statistics.

III. GENERAL INVESTMENT CLIMATE

24. Bahrain provides very attractive and competitive investment opportunities for foreign investors. Unrestricted repatriation of profits and capital, along with the absence of exchange control constraints, add to the appeal of Bahrain to those wishing to invest in a dynamic growing economy. The Government, an ardent supporter of private enterprise, has adopted a policy of ensuring that new companies may be registered with administrative ease.

(1) AREAS FOR POTENTIAL INVESTMENT

25. Industrial diversification is important to Bahrain and other Arabian Gulf economies, and import substitution receives vital government support. Opportunities for new industrial operations exist in the following areas:

- (a) Downstream investments from existing primary aluminum, oil, gas and steel industries, especially in petrochemicals, plastics, engineering, ship repair services and product fabrication;
- (b) Manufacturing to meet demands of fast expanding consumer markets in the region;
- (c) Food processing, packaging and distribution;
- (d) Local assembly and parts manufacture for finished goods;
- (e) High-technology production processes;
- (f) Manufacture of components for industrial, drilling, refinery and mining applications;
- (g) Equipment and machinery repair and maintenance;

- (h) Machine shop services for regional needs;
- (i) Production of construction equipment and materials;
- (j) Other specific opportunities include pharmaceuticals, transportation equipment and systems, educational and healthcare materials, furnishing, machinery, packaging systems, materials for agriculture and fishing, textiles, clothing, toys and leisure goods and craft.

(2) INCENTIVES FOR FOREIGN COMPANIES

(i) Establishing an industry

26. Assistance with every aspect of establishing a new industry or service is provided by the Ministry of Oil and Industry through the Projects and Industrial Investment Directorate (PIID). PIID coordinates the entire industrialization drive, providing assistance and guidance for new and existing manufacturing operations.

27. The services provided extend through the development process from "fast-track" commercial registration with the Ministry of Commerce to the start-up of operations. Other services include assistance with land surveying, maintenance and liaison with municipal authorities. Decisions are made quickly, thereby minimizing red tape. In recognition of the importance of small and medium enterprises (SMEs) to the national economy and in order to develop them, the Small and Medium Enterprises Unit (SMEU) has been established in the Ministry of Oil and Industry, Bahrain, for the implementation of comprehensive policies to assist SMEs.

(ii) Tax, duty and ownership incentives

28. The following incentives are offered: no restriction on repatriation of capital, profits, royalties or wages, and freedom of movement of foreign exchange; foreign ownership of up to 100% of a company allowed; duty-free import of materials and machinery for manufacturing, and duty-free merchandise for re-export.

(iii) Active government support

29. The Government offers active support in the following ways:

- (a) Consistent government policy of encouraging overseas investment.
- (b) Administrative ease of company registration.
- (c) Mature, internationally oriented and highly developed legal framework.
- (d) Cheap energy and fuel costs.
- (e) Competitive industrial, commercial and residential rents; duty-free zones at ports and industrial estates; and serviced industrial estate.

(iv) Labour force and amenities

30. The labour incentives and amenities offered include the following:

- (a) Well-educated, skilled indigenous workforce, proficient in English, at one third of the cost in industrial countries.
- (b) Excellent housing, schooling and social amenities.
- (c) Modern healthcare, hospital and medical facilities.
- (d) Unique quality of life with superb sports and leisure activities.
- (e) Highly stimulating business and cultural environment.

(v) Stable currency

31. The Bahrain dinar, which is freely convertible, is linked to the United States dollar at the fixed rate of one US\$ equal 0.376 dinar.

(3) LEGAL STRUCTURE OF COMMERCIAL COMPANIES

32. A new Company Law, introducing an even more liberal and open ownership and incorporation process is in the final process of adoption. The current law permits up to 100% foreign ownership in the form of an Exempt Company (offshore); Closed Joint Stock Company; Branch/Representative Office and a Company With Limited Liability (WLL).

33. At the present time a Joint Stock Company (public), is restricted to a maximum foreign ownership of 49%.

34. Although the current Law states that "all ... partners of joint stock companies shall be Bahraini nationals", it provides that "some partners... may be non-Bahraini ... if and when the need for foreign capital or expertise arises". In that case, the company may be established after approval has been sought from both the Ministry of Commerce and the Council of Ministers, followed by the issue of an Amiri Decree. Normally, joint-stock companies are formed to undertake a specific major project, sometimes with government participation. Its name must indicate its objectives, and must always be followed by "Bahraini Joint-Stock Company". It will have a specific duration, usually the period needed to fulfil its objectives, which may only be extended by permission of the Ministry of Commerce.

(4) GOVERNMENT POLICY ON PRIVATIZATION

35. The government's privatization policy entails defining the role of government as policy maker and regulator, rather than producer of marketable goods and services, resulting in downsizing government, deregulating the private sector and introduction of rules and regulations friendly towards business. It encompasses all areas of government as follows:

- Infrastructure projects.
- Government programmes.
- Government shareholdings.
- Deregulation.

Infrastructure projects

- Privatization of electricity and water production; sewerage
- Airport
- Sea port

Government programmes

A. Privatization

- Government transportation (bus transport)
- Maintenance directorate

B. Contracting out

- Tug boat operation port
- Teacher transport
- Cleaning and maintenance

C. Government shareholdings

- Telecommunication
- Banking
- Other

D. Deregulation

- Education, television, healthcare

Privatization in the past

36. Privatization commenced in 1989, the projects privatized are as follows:

Infrastructure: nil

Government programmes

A. Privatization

- Dates project
- Dairy project
- Industrial Fisheries

- Slaughter House

B. Contracting out: Nil

C. Government shareholdings

Shares in:

Bahrain Aluminium Extrusion Co.

Ship repairing

Cold Storage Co.

Hotels

Cinema

General Trading and Food Processing Co. (TRAFCO)

Deregulation

- Private sector investment in education, healthcare, TV are now allowed.

Under Active Consideration (tendering)

- Public transport
- Electricity and Water (Generation & Production)

Projects privatized since 1995

- Bahrain Aluminium Co. (1995)
- Marina Club (1997)
- National Import and Export Co. (1997)
- Bahrain Atomizer (1997)
- Slaughter House (1999)

IV. MONETARY POLICY

(1) THE BAHRAIN MONETARY AGENCY

37. The Bahrain Monetary Agency is an independent juristic body enjoying wide ranging powers as the central monetary institution of the State of Bahrain. The general administration of the Agency is vested in a Board of Directors. As fiscal agent of the Government, the Agency makes arrangements for the redemption of Treasury Bills and Development Bonds, and for the payment of interest on them. The Agency also publishes its results by way of freely available public accounts and reports.

38. The statutory objectives of the Agency are to:
- (a) Organize the issue and circulation of the currency of the State of Bahrain as well as the foreign exchange operations.
 - (b) Maintain the value of the currency of Bahrain and endeavour to ensure monetary stability.
 - (c) Organize the banking business and control the banking system.
 - (d) Control and direct bank credit so as to realize the objective of the economic policy of the State.
 - (e) Participate in the creation of a developed money and financial market.

(2) EXCHANGE RATE REGIME

39. The Bahrain dinar has a fixed relationship to the SDR at the rate of BD 0.47619 per SDR 1. The exchange rate of the dinar in terms of the SDR may be set within margins of + or – 7.25% of this fixed relationship. In practice, however, the dinar has maintained a stable relationship with the U.S. dollar, the intervention currency. The middle rate of the dinar for the U.S. dollar is quoted by the Bahrain Monetary Agency and has remained unchanged since December 1980. The Bahrain Monetary Agency provides daily recommended rates to banks for amounts up to BD 1,000, pound sterling, and deutsche mark, based on the available U.S. dollar rates against those currencies.

(3) INTEREST RATES

40. Interest rates in Bahrain are determined by market forces with no intervention from the Bahrain Monetary Agency.

(4) GOVERNMENT SECURITIES

41. The Agency issues Treasury Bills and Development Bonds on behalf of the Government of Bahrain. The maturity of Bonds is between 5-30 years and Treasury Bills between 3-6 months. Development Bonds are used by the Government to raise funds in the domestic capital market. The Government issues Treasury Bills to serve as an additional source of temporary finance for the Government, and to promote the development of the domestic money market by providing banks and other investors with a marketable instrument for the employment of surplus liquidity within Bahrain.

(5) CREDIT POLICY

42. The Bahrain Monetary Agency monitors credit of the commercial banks because of its important economic significance. However, no quantitative or selective measures of intervention are practiced by the Agency.

(6) CAPITAL MOVEMENT AND TAXATION

43. No exchange control requirements are imposed on capital receipts or payments by residents or non-residents. Also, Bahrain is free from taxation on income and profits.

V. IMPLEMENTATION OF URUGUAY ROUND COMMITMENTS

44. Bahrain joined The GATT, and became a contracting party on 13/12/1993 on a de facto basis, and in April 1994 participated in the Marrakesh Ministerial Meeting and signed the Final Act of the Uruguay Round and the Marrakesh Agreement Establishing the WTO. This Agreement was subsequently ratified by Decree No. 7 of 1994 and Bahrain became a member of the WTO with effect from 01/01/1995.

45. WTO Agreements are ranked as national legislation in Bahrain, and may be invoked before the national courts.

46. The status of the implementation of the WTO Agreements is as follows:

(1) TARIFFS

47. Schedules were sent to the Director General of the GATT on 9th March 1994, and Schedule XCV111 shows that Bahrain bound all of its Customs Duties at 35%, with the exception of:

- Manufactured and Raw Tobacco 100% ADV
- Alcoholic Beverages 200% ADV
- Cultured Pearls Prohibited

48. The average applied customs duty in Bahrain is between 5% and 10%. However, subsequent to an administrative order issued by HH. The Prime Minister, customs duties on food commodities have been reduced to 0%, with the rates on secondary products also being reduced from 10% to 7.5%, effective 1st January 2000. A copy of the schedules related to this order was sent to the Director of Market Access Division at the WTO on 23rd May 2000, so as to make it available to interested members. In addition, the GCC, of which Bahrain is a member, has decided to form a Customs Union by the year 2005, and as a consequence uniformed customs duties are in the process of being negotiated, which will have the effect of reducing duties still further. Bahrain is also a member of The Greater Arab Free Trade Area (GAFTA), which aims to reduce tariffs amongst its members by 10% annually, starting in 1998, and with the goal of reaching a zero tariff by the year 2007.

(2) AGREEMENT ON IMPORT LICENSING PROCEDURES

49. Bahrain does not have an import license *per se*, however there are some restrictions on imports of certain items,(for health, security, moral and religious reasons) and document G/LIC/N/1/BHR/1 dated 13th June 1997, shows that Bahrain notified the Committee on Import Licensing on 27th May 1997 to that extent, and enclosed the following:

- Rules of Import in Bahrain
- Prohibitions and restrictions imposed on certain imports
- Ministerial Decree No. 10/1976 "Limitations on materials which are considered within the rules of explosives".

(3) AGREEMENT ON AGRICULTURE

50. Bahrain is a net food importing country. During the past 20 years, the agricultural sector has contributed less than 1% per annum to GDP, and the amount of support given to agriculture has been minimal at less than US\$1 million per year, and is then mainly provided for technical assistance.

(4) AGREEMENT ON TECHNICAL BARRIERS TO TRADE

51. Bahrain Standards and Metrology Directorate (BSMD), at the Ministry of Commerce, is the standardizing body and Enquiry Point for Bahrain. Bahrain has accepted the WTO Code of Good Practice. The Bahrain national standards, which are applied on an MFN basis and national treatment basis, are mandatory, and are published in the Official Gazette, normally coming into effect after six months. Bahrain's policy is to develop specific Bahraini standards only when necessary, and when no Gulf standard has been developed, and are usually based on the standards developed by the GCC's Gulf Standardization and Metrology Organisation (GSMO).

(5) AGREEMENT ON THE APPLICATION OF SANITARY AND PHYTOSANITARY MEASURES (SPS)

52. Bahrain notified two Enquiry Points and Notification Authorities for the SPS Agreement, these being the Directorate of General Health at the Ministry of Health, for food safety; the Directorate of Agriculture Relations, at the Ministry of Works and Agriculture, for animal and plant health and fisheries. Bahrain has been prevented from exporting its fish products to the EU due to the SPS specifications of the EU, and has requested the EU for technical assistance in this regard in order to meet the EU specifications, so that fish export to the EU may be resumed.

(6) ANTI-DUMPING AND COUNTERVAILING MEASURES; AGREEMENT ON SAFEGUARDS; AGREEMENT ON PRESHIPMENT INSPECTION

53. Bahrain does not have any Laws or Regulations related to these Agreements, but reserves its right to introduce such Laws and Regulations whenever it deems necessary, and in which event these will be based on the articles of these Agreements, and Bahrain's rights and obligations under the WTO.

(7) AGREEMENT ON SUBSIDIES AND COUNTERVAILING MEASURES

54. Bahrain notified the WTO of the "Human Resource Development Program in the Manufacturing Sector" (HRDS) (Document G/SCM/BHR dated 25/8/1997). This Program was subsequently terminated at the end of 1998. The present subsidies provided to the industrial sector are as follows:

- Free entry for machines, equipment and raw material required by industry
- Reduction in electricity tariff from 16 fils per k/h to 12 fils per k/h for investors in the industrial sector
- A two-year rent free period for investors renting land in the industrial zones.

55. These subsidies are provided on an MFN and national treatment basis, and will be phased out in accordance with the provisions of the Subsidies Agreement.

(8) AGREEMENT ON CUSTOM VALUATION

56. Bahrain invoked the five-year transitional period to implement the provisions of the Agreement, and has requested an extension for a three year period to delay (up to 1st January 2003) the application of the provisions of the Agreement. The additional period is required in order to finalize the necessary legislation, complete computerization and train the Bahrain customs personnel.

(9) GENERAL AGREEMENT ON TRADE IN SERVICES (GATS)

57. During the Uruguay Round, Bahrain submitted Schedules of Commitments covering insurance (offshore) and reinsurance. In April 1997, Bahrain participated in the Financial Services negotiations, and submitted a schedule of commitments covering certain activities in the banking sector and the Stock Exchange, and signed the fifth Protocol on 5th June 1998. As GATS is open for negotiations, different Ministries and Government Agencies are in the process of studying the possibility of submitting additional commitments in services, before the end of 2000, related to their areas of responsibility, including telecommunications; tourism; air transport services; maritime services; and other professional services.

(10) AGREEMENT ON TRADE-RELATED ASPECTS OF INTELLECTUAL PROPERTY RIGHTS (TRIPS)

58. Bahrain is committed to fulfilling its obligations under the TRIPS Agreement, and has been reviewing Laws and Regulations relating to this Agreement, in order to comply with its commitments, and has scheduled a review of this legislation by November 2000. Bahrain is a member and signatory of WIPO, the Paris Convention for Protection of Industrial Property, and the Bern Agreement for the Protection of Copyright.

(11) AGREEMENT ON GOVERNMENT PROCUREMENT

59. Bahrain is not a signatory to this Agreement. However Bahrain does support the commencement of negotiations for an Agreement on Transparency on Government Procurement, based on the findings of the Working Group established by the Singapore Declaration of the First Ministerial Conference.

(12) TRADE IN INFORMATION TECHNOLOGY PRODUCTS (ITA)

60. Bahrain did not sign the Ministerial Declaration on Trade in Information Technology Products. However, Bahrain is considering joining this Declaration and providing zero customs duty on such products, with the purpose of accelerating the transfer of technology to Bahrain.

VI. FUTURE NEGOTIATIONS

(1) FUTURE NEGOTIATIONS

61. Bahrain believes that any future negotiations should be governed by the following principles:

- A fully transparent process of ensuring the effective participation of all WTO Members;
- longer transition period to enable Developing and LDCs to adopt the WTO Agreements;
- providing preferential treatment for “infant” industries in Developing and LDC countries;

- decision making consensus should be maintained;
- greater transparency in conducting informal consultations;
- the “Green Room” basis to be expanded to allow for a broader representation and conducted on an open-ended basis;
- new issues that have no direct relations to trade should not be introduced into the WTO Agenda.

(2) ELECTRONIC COMMERCE

62. Bahrain supports the current practice of not imposing customs duties on electronic transmissions, and believes that technical assistance from developed countries should be made available to developing and LDCs, particularly to assist with training and the development of the basic infrastructure. The Government is working on a number of levels to ensure the development of the necessary physical, legal, payments, and security aspects, and to encourage the private sector to embrace electronic commerce. In this regard the Government seeks to act as an exemplar to the private sector, by actively pursuing excellence in the online delivery of government services and in its dealings with business. The Government is establishing a special unit for the purpose of monitoring developments in this area, and to act as a catalyst for developing Bahrain as the regional e-commerce centre.

(3) ACCESSION

63. Bahrain supports the view that the accession process should be accelerated, particularly in respect to developing and LDCs, and gives a special endorsement to the applications of Saudi Arabia, the Sultanate of Oman, and other Arab Countries.
