



## Summary of the U.S. - Bahrain Free Trade Agreement

The information presented on this website is meant to serve as a guide. Only the agreement text and the customs regulations issued to implement the agreement are definitive.

If you have any questions about this Agreement, please contact Linda Martinich, Office of Textiles and Apparel, (202) 482-3588.

Status: Entered into force August 1, 2006

### **How U.S. Textile and Apparel Companies Benefit**

Through duty elimination, the U.S.-Bahrain FTA (USBFTA) allows U.S. textile and apparel exporters to be more price-competitive in the Bahraini market when competing with domestic suppliers and with third country suppliers that do not have duty benefits. Through the elimination of a variety of non-tariff barriers, the FTA further opens the Bahraini market to U.S. products. The FTA affords substantial benefits in a broad range of service sectors; enhances the protection of intellectual property; and provides for a more stable business environment.

### **Tariff Elimination**

All textile, apparel, footwear, and travel goods are duty-free under the USBFTA provided that the goods meet the Agreement's rules of origin. Note: U.S. origin goods that are exempted from customs duty in accordance with the USBFTA and re-exported to other Gulf Cooperation Council (GCC) countries will be liable for customs duty at the final destination.

Also see the [FTA Tariff Tool](#) for the duty-free status or reduced duties that apply to products eligible under U.S. free trade agreements.

### **Rules of Origin**

#### **Textiles and Apparel**

Textile and apparel products are subject to specific rules, based on tariff classification. The rules for textile and apparel products are generally referred to as "**yarn forward**," which requires that the yarn production and all operations forward occur in either Bahrain or the United States, but the fiber may be from anywhere. There are some exceptions in the rules requiring "fiber forward," and some requiring "fabric forward."

Tariff Preference Levels (TPLs): The USBFTA allowed for a certain quantity of cotton or manmade fiber textile and apparel goods that do not meet the rules of origin to enter under a preferential tariff rate. These limited allowances for the use of yarn and fabric from a nonparty, referred to as TPL, allowed U.S. fabric and apparel exporters some flexibility in their inputs. The TPL was set at a level of 65,000,000 square meters equivalent (SMEs) for each of the first ten years of the agreement. Any non-originating goods exceeding the quantity limits were subject to the non-preferential (i.e., MFN) rate of duty. ***With the expiration of the TPL on July 31, 2016, all textile and apparel trade must meet the Agreement's yarn-forward rule of origin.***

De Minimis: If a good does not meet the rule of origin requirements as set out above, a textile or apparel product might be considered originating if all non-originating fibers and yarns make up less than a "de minimis" seven percent of the total weight of the product. Special provisions also apply to textile and apparel goods put up in sets for retail sale.

### **Footwear**

The rule of origin for footwear is a change to HTS headings 6401 through 6405 from any heading outside that group, provided that the sum of--

- a. the value of each material produced in the territory of Bahrain or of the United States, or both, and
- b. the direct costs of processing operations performed in the territory of Bahrain or the United States, or both,

is not less than 35 percent of the appraised value of the good at the time the good is entered into one of the FTA countries.

Note: There are no restrictions on the use of imported uppers. The 35% value-added requirement can be comprised of a combination of value from Bahrain and the United States.

### **Non-Textile Travel Goods**

For non-textile travel goods, the good will qualify under the FTA if it is a new or different article of commerce that has been grown, produced, or manufactured in the territory of one or both of the Parties; and the sum of

- a. the value of materials produced in the territory of one or both of the Parties, plus
- b. the direct costs of processing operations performed in the territory of one or both of the Parties

is not less than 35 percent of the appraised value of the good at the time it is imported into the territory of a Party.

### **Commercial Availability**

Article 3.2.3 of the Agreement provides for a consultation mechanism to consider whether the rules of origin applicable to a particular textile or apparel good should be revised to address issues of availability of supply of fibers, yarns, or fabrics in the territories of the Parties.

For information on commercial availability requests and modifications to the rules of origin, see the [Bahrain Commercial Availability](#) webpage.

### **Documentation Requirements**

For qualifying goods in which USBFTA duty benefits are requested, the importer must make a claim of preference. The Agreement does not require that the importer provide a certificate of origin in support of the claim of preference. However, both the importer and the exporter have obligations to generate supporting documentation to back-up any claims of preferential treatment under the Agreement.

To make a claim for preferential tariff treatment for a good, the importer must submit to the customs authority of the importing Party, on request, a signed declaration setting forth all pertinent information concerning the growth, production, or manufacture of the good. A requested declaration may require the following details:

- a description of the good, quantity, numbers, and invoice numbers and bills of lading;
- a description of the operations performed in the production of the good in the territory of one or both of the Parties
- a reference to the specific provision that forms the basis for the claim for preferential tariff treatment
- a statement as to any fiber, yarn, or fabric of a non-Party and the origin of such material used in the production of the good

In general, Bahrain Customs requirements for the exemption of tariff on qualifying U.S. goods are as follows:

- Submission of invoice for the goods which indicates that The Country of Origin is "USA".
- Country of Origin "USA" to be clearly marked on the goods.

The Importer shall request for exemption of customs duty by stating in the customs declaration that "The imported goods satisfy the provisions related to customs exemption prescribed in the Agreement and the relevant regulations as per the following phrase: The goods satisfy the provisions of the FTA between the Kingdom of Bahrain and the USA".

Bahraini customs officials may verify a claim of preferential treatment up to five years after the date of importation. Therefore, it is recommended that importers and exporters maintain documents relating to the importation of the good and all supporting documents for at least five years.

### **Measures to Prevent Circumvention of the Agreement's Rule of Origin**

The USBFTA contains additional measures to ensure that textile and apparel goods are not subject to fraud, such as illegal transshipment. The Parties agree that the exporting Party, at the request of the importer Party, shall conduct verification procedures to determine that a claim for origin of a textile and apparel good is accurate, allows the exchange of information between parties when suspicion occurs, and permits the importing party to suspend preferential tariff treatment to the textile and apparel good under suspicion or any textile and apparel good produced or exported by a specific company.

### **Intellectual Property Rights**

Bahrain commits to provide strong intellectual property rights (IPR) protection and enforcement. In order to implement its FTA obligations, Bahrain passed several key pieces of IPR legislation. These laws improve protection and enforcement in the areas of copyrights, trademarks, and patents. Implementing regulations supporting these laws have also been enacted. Bahrain has launched public awareness campaigns to equate IP piracy with theft.

### **Government Procurement**

In 2002, Bahrain implemented a new government procurement law to ensure transparency and reduce bureaucracy in government tenders and purchases. The law specifies procurements on which international suppliers are allowed to bid. The Tender Board is chaired by a Minister of State who oversees all tenders and purchases with a value of BD10,000 (\$26,525) or more. The Tender Board plays an important role in ensuring a transparent bidding process, which the Government of Bahrain recognizes as vital to attracting foreign investment. The FTA requires procuring entities in Bahrain to conduct procurements covered by the FTA in a fair, transparent, and non-discriminatory manner.

## **Supporting Documentation**

[Text of the USBFTA](#)

[Textile and Apparel Chapter \(Chapter 3\)](#)

[Rules of Origin](#)

[Tariff Elimination \(Annex 2-B\)](#)

[U.S. Tariff Elimination Schedule](#)

[Bahrain Tariff Elimination Schedule](#)

[U.S.-Bahrain Free Trade Agreement Implementation Act \(Public Law 109-169\)](#)

[ITAC 13 Advisory Committee Report on the USBFTA](#)