



Bahrain: Reform, Security, and U.S. Policy

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Summary

After experiencing serious unrest during the late 1990s, Bahrain undertook several steps to enhance the inclusion of the Shiite majority in governance. However, the Sunni-led government's efforts to maintain its tight grip on power have stirred new unrest among Bahraini Shiites in advance of October 23, 2010, parliamentary elections. That election, no matter the outcome, would not produce a new executive, but achievement of a Shiite majority in the elected lower house could give the opposition greater authority with which to challenge the ruling Al Khalifa family. In advance of the elections, the government has launched a wave of arrests intended to try to discredit some of the hardline Shiite leadership as fomenters of violence and tools of Iran. The crackdown has perhaps contributed to increasing Shiite popular protests in advance of the elections.

Underlying the unrest are Bahraini concerns that Iran is supporting Shiite opposition movements, possibly in an effort to install a Shiite led, pro-Iranian government on the island. These fears are occasionally reinforced by comments from Iranian editorialists and political leaders that Bahrain should never have become formally independent of Iran. On the other hand, Bahrain's Shiite oppositionists accuse the government of inflating the Iran threat, and the contacts between Iran and the opposition, to discredit the opposition politically. At the same time, Bahrain's rulers have tried to avoid inviting Iranian aggression, in part by signing energy agreements with Iran and by allowing Iranian banks and businesses to operate there. Bahrain has also sought to dissuade Bahraini journalists and officials from publicly criticizing Iran.

Bahrain has few external security options other than relying on some degree of U.S. security guarantee. Bahrain has tried to earn that guarantee by hosting U.S. naval headquarters for the Gulf for over 60 years and by providing facilities and small numbers of personnel for U.S. war efforts in Iraq and Afghanistan. The United States has designated Bahrain as a "major non-NATO ally," and it provides small amounts of security assistance to Bahrain. On other regional issues such as the Arab-Israeli dispute, Bahrain has tended to defer to Saudi Arabia or other powers to take the lead in formulating proposals or representing the position of the Persian Gulf states, collectively. These areas of strong U.S.-Bahrain cooperation have caused some public criticism of successive U.S. Administrations, including by some in Congress, for muting criticism of Bahrain's human rights record in the interests of ensuring Bahrain's cooperation on security issues.

In September 2004, the United States and Bahrain signed a free trade agreement (FTA); legislation implementing it was signed January 11, 2006 (P.L. 109-169).

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The Political Structure, Reform, and Human Rights¹

The Al Khalifa family, which is Sunni Muslim, has ruled Bahrain since 1783, when the family's arrival from the Saudi peninsula ended a century of domination by Persian settlers. The Al Khalifa subsequently received political protection from Britain, which was the dominant power in the Gulf until the early 1970s. Bahrain became independent from Britain in August 1971 after a 1970 U.N. survey determined that its inhabitants preferred independence to Iranian control.

Bahrain is led by King Hamad bin Isa Al Khalifa (about 65 years old), who succeeded his father, Shaykh Isa bin Sulman Al Khalifa, upon his death in March 1999. Educated at Sandhurst Military Academy in Britain, King Hamad was previously commander of the Bahraini Defense Forces (BDF). His son, Salman bin Hamad, about 48 years old, is Crown Prince. He is U.S.-and U.K.-educated and is, like the King, considered a proponent of reform and accommodation with Bahrain's Shiite majority—about 70% of the 490,000-person citizenry.² (There are also an estimated 235,000 expatriates in Bahrain, according to the Central Intelligence Agency's "World Factbook.")

The King's uncle (the brother of the late ruler), Prime Minister Khalifa bin Salman Al Khalifa, along with hardliners in the royal court and several ministries, are perceived as skeptical of King Hamad's reforms. They believe that the concessions that King Hamad has made to the Shiite majority have caused the Shiites to increase their political demands and might jeopardize Al Khalifa rule. Others believe that unrest would be far worse had the King's reforms not been enacted.

The minor political reforms under the King's father—the December 1992 establishment of a 30-member appointed Consultative Council to comment on proposed laws and its June 1996 expansion to 40 members—did not quiet Shiite (or Sunni) demands for the restoration of an elected national assembly. An elected assembly was provided for under the 1973 constitution but abolished in August 1975. There was daily anti-government violence during 1994-1998, although the unrest gradually took on a Shiite sectarian character. As Hamad's first reform steps after taking over, he changed his title to "King," rather than "Amir" and implying more accountability, and held a referendum (February 14, 2002) on a new "national action charter (constitution)." Elections were held in October 2002 for a 40-seat "Council of Representatives" (COR, also referred to as the Council of Deputies). However, the Al Khalifa family have held onto all strategic ministry positions and about half of all ministerial slots.

The elected COR and the all-appointed Shura Council—which is of equal size as the COR—constitute a National Assembly (parliament) that serves as at least a partial check on government power. The COR can propose (but not actually draft) legislation and both chambers can question ministers, although not in public session. Nor can they question the Prime Minister. The COR

¹ Much of the information in this section is from State Department reports: 2009 Country Reports on Human Rights Practices (March 11, 2010); the International Religious Freedom Report for 2009 (October 26, 2009); and the Trafficking in Persons Report for 2010 (June 14, 2010). CRS has no means to independently investigate the human rights situation in Bahrain or confirm allegations of specific human rights abuses there.

² The Shiite community in Bahrain consists of the more numerous "Baharna," who are of Arab ethnicity and descended from Arab tribes who inhabited the area from pre-Islamic times. Shiites of Persian ethnicity are less numerous, and arrived in Bahrain over the past 400 years. They speak Persian and generally do not integrate with the Baharna or with Sunni Arabs.

can, by a two-thirds majority, vote no-confidence against ministers and the Prime Minister and override the King's veto of approved legislation, although none of these actions has occurred since the COR was formed. The King has the authority to dissolve the COR and amend the constitution. The Shura Council is formally limited to amending draft legislation and, in concert with the COR, reviewing the annual budget, but these powers do provide the Shura Council with the ability to block action by the COR. The government has tended to appoint generally more educated and pro-Western members to the Shura Council, and it is generally more supportive of the government than is the elected COR. There is no "quota" for females in the National Assembly, as has been included in democratic constitutions in post-Saddam Iraq and post-Taliban Afghanistan.

Recent and Upcoming Elections

In the 2002 election, many Shiite opposition "political societies" (formal parties are banned), including Al Wifaq, (a large faction, led by Shaykh Ali al-Salman), boycotted the elections on the grounds that setting the appointed Shura Council at the same size as the elected COR dilutes popular will. The 2002 boycott lowered turnout (about 52%) and helped Sunnis win two-thirds of the COR seats. Of the 170 total candidates, 6 were women, but none was elected.

2006 Assembly Elections

Sunni-Shiite tensions escalated again in the run-up to the November 25, 2006, parliamentary and municipal elections, aggravated by the Shiite perception that a once-repressed Shiite majority came to power in Iraq through U.S.-backed elections. In the fall of 2006, some Shiites protested, particularly after allegations—some of which were publicly corroborated by a government adviser (Salah al-Bandar) in August 2006 in a report to an outside human rights organization—that the government was adjusting election districts so as to favor Sunni candidates. It was also alleged that the government issued passports to Sunnis in an attempt to shift the demographic balance to the Sunnis' advantage.

In the November 2006 elections, two Shiite opposition blocs, Wifaq and the National Democratic Action Association, participated, raising voter turnout to 72%. The harder-line Shiite opposition faction Al Haq boycotted. The opposition, led by Wifaq, won 18 seats (of which 17 were Wifaq activists and one was a Wifaq ally), virtually all those it contested, becoming the largest single bloc in the COR but short of a majority. Sunni Muslims won 22 seats, and Sunni Islamists (Salafists and Muslim Brotherhood candidates) together won 8 seats. Only one woman (Latifa al Qaoud, who was unopposed in her district) won, out of 18 female candidates (down from 31 female candidates in the 2002 elections). As evidence of continued friction, Wifaq boycotted the speakership contest, and incumbent COR Speaker Khalifa al-Dhahrani was re-elected speaker.

The King subsequently named a new Shura Council with 20 Shiites, 19 Sunnis, and one Christian (a female). Ten total women were appointed. However, the Shiites appointed were not all aligned with opposition factions, and several were considered "pro-government." Therefore, the Shura Council was not a bastion of opposition to the government even though Shiites held half of its seats. In a nod to the increased Shiite strength as a result of the elections, the government appointed a Shiite (Jawad al-Araidh) as deputy prime minister and another (who is close to Wifaq) as a minister of state for foreign affairs. In the current cabinet, there are four Shiites (out of 23 cabinet positions) and two female ministers (Minister of Social Affairs Fatima bint Ahmad al-Balushi and Minister of Information and Culture Mai bint Muhammad Al Khalifa). A previous

female minister of health, Nada Haffadh, resigned in October 2007 following allegations of corruption in her ministry by conservatives who oppose women occupying high-ranking positions. Two other women, including the president of the University of Bahrain, have ministerial rank. In April 2008, Huda Azar Nunu, a female attorney and the only Jew in the Shura Council, is ambassador to the United States.

The 2010 National Assembly and Municipal Election

The resentments over the 2006 election, and the still unfulfilled demand of Bahrain's Shiites for greater political power and an end to economic discrimination, carry over to the upcoming election. The election date is set for October 23, 2010. There are expected to be a limited number of international observers, primarily from various international human rights organizations. Two Bahraini human rights watchdog groups—the Bahrain Human Rights Society and the Bahrain Transparency Society—have again (for the third time) reached agreement to jointly monitor the 2010 elections. Municipal elections are being held concurrently with the parliamentary election.

The electorate is expected to be about 300,000. There are 40 election districts spread throughout five governorates. As was the case in the 2006 elections, Shiite oppositionists have again accused the government of drawing district boundaries so as to prevent the election of a Shiite majority. Registration of candidates took place during September 12-16, 2010. About 200 people registered to run, of whom seven were women. However, one woman withdrew after registering, leaving a field of six female candidates. Of the six, only one was formally endorsed by a political society, the National Democratic Action Society (*Waad*, which means “promise” in Arabic). She is Munira Fakhro, a prominent Shiite woman who was exiled prior to the political reform process under King Hamad. In 2006, she narrowly lost to a Sunni Islamist (*Minbar*, or “platform,” faction).

If a candidate in a contested district fails to win more than 50% in the first round, a runoff is held one week later. At least four candidates in districts where there is no opposition have already been declared winners, as of September 28, 2010.

Wifaq, the most prominent Shiite political society, has registered candidates for the 2010 elections. Its leader, Shaykh Ali Salman, is not a candidate, preferring to lead the faction from the background. At least one Wifaq candidate has already been declared a winner in an uncontested constituency. Al Haq (Movement of Freedom and Democracy) is again boycotting the elections, as it did in 2006. Observers say that a government crackdown in advance of the election has driven Bahraini Shiites to support harder-line movements, such as Al Haq, that are boycotting. For example, on September 4, 2010, 23 Shiite leaders, including the Al Haq leader, wheelchair-bound Dr. Abduljalil Alsingace, were arrested on charges of attempting a violent overthrow of the government. They are among about 160 Shiites arrested since August 13, 2010, under a 2006 anti-terrorism law that gives the government broad arrest and prosecution powers. A prominent Shiite cleric, Ayatollah Hussein Mirza al-Najati, said to be close to the most senior Iraqi cleric Ayatollah Ali al-Sistani, had his Bahrain citizenship revoked on September 20, 2010. Some observers believe that the arrests may help the government by suppressing the election turnout among Shiites, who are increasingly adopting the view that elections will not bring political change. Still, the crackdown has not prompted the more mainstream Wifaq to reconsider its decision to compete.

The crackdown might help the government's election strategy but has also reportedly led to stepped up demonstrations by Shiite youth in Shiite neighborhoods. The tensions are also widely blamed for resulting in a bombing that damaged four police cars on September 15.

Heightened election-related political tensions have been evident for nearly two years. In December 2008, the government made numerous arrests of Shiite demonstrators and accused some of being part of a foreign-inspired "plot" to destabilize Bahrain. Some were accused of undergoing guerrilla or terrorist training in Syria. On January 26, 2009, the government arrested three leading Shiite activists, including Alsingace and Mr. Hassan Mushaima, both leaders of Al Haq. Alsingace later visited the United States several times to highlight the human rights situation in Bahrain. They were tried during February-March 2009 but, along with other Shiite activists, were pardoned and released in April 2009. (As noted above Alsingace has been arrested again in September 2010.)

Among Sunni political societies, there are two that are considered Islamist. They include Minbar, mentioned above, which is an offshoot of the Muslim Brotherhood, and Al Asala, which is a harder line "Salafist" political society. Currently, Asala is the second-largest parliamentary bloc, with eight members in the lower house, about half the number of seats held by Wifaq, which is the largest bloc. Minbar is close behind Asala with seven members.

Table I. Some Basic Facts About Bahrain

Population	About 1.05 million, of which 530,000 are citizens
Religions	81% Muslim, 9% Christian, 10% other
GDP (purchasing power parity)	\$28 billion (2009)
Budget	\$5.81 billion revenues, \$5.86 billion expenditures (2009)
External Debt	\$11 billion (2009)
Inflation Rate	3% (2009)
GDP Real Growth Rate	2.9% in 2009, down from over 6% in 2008
Size of Bahrain Defense Forces (BDF)	About 13,000, plus about 1,200 National Guard. Some personnel are expatriates, including other Arab and Pakistani.

Source: CIA, *The World Factbook*.

General Human Rights Issues

Beyond the politically motivated discrimination against Shiites, which includes basing Islamic studies curricula in schools on Sunni jurisprudence and excluding Shiite teachings, State Department reports, such as the human rights report for 2009 cited earlier, note problems for non-Muslims and for opponents of the government. Bahrain allows freedom of worship for Christians, Jews, and Hindus although the constitution declares Islam the official religion.

The Baha'i faith, declared blasphemous in Iran and Afghanistan, has been discriminated against in Bahrain as well. A Baha'i congregation was repeatedly denied an official license. However, the State Department human rights reports for 2008 (February 2009) and for 2009 (March 2010) say that the Baha'i community now gathers and operates openly. The government requires licenses for churches to operate, and has in the past threatened to shutter un-licensed churches serving Indian expatriates.

On labor issues, Bahrain has been credited with significant labor reforms, including a 2002 law granting workers, including non-citizens, the right to form and join unions. The law holds that the right to strike is a legitimate means for workers to defend their rights and interests, but their right is restricted in practice, including a prohibition on strikes in the oil and gas, education, and health sectors. There are about 50 trade unions in Bahrain.

On human trafficking, Bahrain was elevated in the 2008 Trafficking in Persons report to "Tier 2 Watch List," from Tier 3 in the 2007 report, because it is "making significant efforts" to comply with the minimum standards for elimination of trafficking, but has not shown results, to date. The 2009 Trafficking in Persons Report (June 16, 2009) kept Bahrain as Tier 2 Watch List, with explanatory language similar to that of the 2008 report. The 2010 Trafficking in Persons Report (June 14, 2010) upgraded Bahrain yet again to Tier 2 (dropping the "watch list" designation) on the grounds that Bahrain is making significant efforts to comply with minimum standards and has begun making prosecutions under its anti-trafficking statutes.

Another issue is that of executions. Human Rights Watch and other groups assert that Bahrain is going against the international trend to end execution. In November 2009, Bahrain's Court of Cassation upheld the sentencing to death by firing squad of a citizen of Bangladesh. That sentenced was imposed for a 2005 murder. From 1977 until 2006, there were no executions in Bahrain. Allegations of torture against Shiite opposition figures are widespread.³

U.S. Efforts to Promote Political Reform

According to the State Department, the United States seeks to accelerate political reform in Bahrain and empower its political societies through several programs, including the "Middle East Partnership Initiative (MEPI)." Some funds have been used to help build an independent judiciary and strengthen the COR. Other U.S.-funded programs focus on women's empowerment, media training, educational opportunities, and civil society legal reform. MEPI funds have been used to fund AFL-CIO projects with Bahraini labor organizations, and to help Bahrain implement the U.S.-Bahrain FTA. In May 2006 Bahrain revoked the visa for the resident program director of the National Democratic Institute (NDI), and has not allowed the office to reopen. Still, NDI is conducting programs to enhance parliamentary capabilities through a local NGO. In February 2010, the MEPI office of State Department signed a memorandum of understanding with Bahrain to promote entrepreneurship there and promote opportunities for trade with U.S. small businesses.

According to the State Department's International Religious Freedom report for 2009 (October 26, 2009), "Regular meetings with human rights activists reaffirmed the U.S. government's commitment to religious freedom and other human rights-related matters." The report says that, in 2009, the United States again sponsored a visit to Bahrain during the Ramadan period of a prominent American Muslim cleric.

³ Human Rights Watch. "Bahrain: Torture Redux." February 2010.

U.S.-Bahrain Security and Economic Relations⁴

A U.S. Embassy in Manama, Bahrain's capital, opened in September 1971, but defense issues remain a central feature of U.S.-Bahrain relations. Although Iraq is no longer a strategic threat to the region because it cannot project power outside its borders, Iran's nuclear program is considered a growing threat to the Persian Gulf states, including Bahrain. There is also the issue of terrorism and piracy in the Gulf, as exemplified by a July 28, 2010, explosion on a Japanese oil tanker in that waterway. The explosion is widely suspected to have been a terrorist attack, and a faction linked to Al Qaeda (Abdullah Azzam Brigades) claimed responsibility.

In large part to keep powerful neighbors in check, Bahrain has long linked its security to the United States, and U.S. efforts to address threats in Iraq, Iran, and Afghanistan have benefitted from access to Bahraini facilities. In recognition of the relationship, in March 2002, President Bush (Presidential Determination 2002-10) designated Bahrain a "major non-NATO ally (MNNA)," a designation that facilitates U.S. arms sales.

February 2008 marked the 60th anniversary of a U.S. naval command presence in Bahrain; MIDEASTFOR (U.S. Middle East Force), its successor, NAVCENT (naval component of U.S. Central Command), and the Fifth Fleet (reconstituted in June 1995) have been headquartered there. The Fifth Fleet headquarters is a command facility that now covers over 100 acres, and about 2,300 U.S. personnel, mostly Navy, are assigned there.⁵ Some smaller U.S. ships (minesweepers) are docked there, but the Fifth Fleet also consists of a Carrier Battle Group, an Amphibious Ready Group, and various other ships that are afloat or which dock elsewhere in the region. To further develop the naval command facility (referred to as "Bahrain Island"), recent appropriations and requests include \$54 million for FY2008 (including \$19 million for a Special Operations Forces facility);⁶ no funds for FY2009; \$41.5 million for FY2010 (P.L. 111-117); and a requested \$258 million for FY 2011 for several facilities in Bahrain, including Bahrain Island. Of that request, \$45 million is to expand an apron at Shaykh Isa Air Base.

Cooperation With U.S. Regional Operations

Bahrain and the United States signed a 10-year defense pact signed on October 28, 1991, seven months after the war to liberate Kuwait from Iraq, and renewed in October 2001. The pact not only provides the United States access to Bahrain's air bases and to pre-position strategic materiel (mostly U.S. Air Force munitions), but also requires consultations with Bahrain if its security is threatened, and it expanded exercises and U.S. training of Bahraini forces.⁷

The naval headquarters, the U.S. use of which predated the defense pact, has been used to coordinate the operations of over 20 U.S. warships performing support missions for U.S. and allied naval operations related to the U.S. military operations ongoing in Iraq and Afghanistan.

⁴ Information in this section obtained from a variety of press reports, and the Defense Security Cooperation Agency (DSCA).

⁵ Unclassified information provided to CRS by the Department of Defense. Figures are as of June 30, 2010.

⁶ Appropriated in Division 1 of P.L. 110-161.

⁷ Details of the U.S.-Bahrain defense agreement are classified. Some provisions are discussed in Sami Hajjar, *U.S. Military Presence in the Gulf: Challenges and Prospects* (U.S. Army War College: Strategic Studies Institute), March 2002, p. 27.

These ships are also part of Combined Task Force (CTF) 152 that seeks to interdict the movement of terrorists, arms, or weapons of mass destruction (WMD)-related technology and narcotics across the Arabian Sea. Bahrain has taken a turn in a rotation to command CTF-152. Some of these operations are part of or offshoots of Operation Enduring Freedom (OEF) in Afghanistan, which ousted the Taliban after the September 11 attacks. Bahrain allowed the United States to fly combat missions from its bases (Shaykh Isa Air Base) in both OEF and the war to oust Saddam Hussein in March-April 2003 (Operation Iraqi Freedom, OIF). During both OEF and OIF, Bahrain publicly deployed its U.S.-supplied frigate warship (the *Subha*) to help protect U.S. ships, and it sent ground and air assets to Kuwait in support of OIF. Bahrain hosted about 4,000 U.S. military personnel during major combat of OEF (October 2001-May 2003).

Bahrain and UAE have been the only Gulf states to deploy their own forces to provide aid to Afghanistan. In 2009, Bahrain sent 100 police officers to Afghanistan on a two-year tour to help U.S./NATO-led stabilization operations there.

U.S. forces were in Bahrain well before the September 11 attacks occurred. There were about 1,300 U.S. military personnel in Bahrain during the 1990s to contain Iraq, and Bahrain was part of the allied coalition that ousted Iraq from Kuwait in 1991, hosting 17,500 troops and 250 combat aircraft at Shaykh Isa Air Base (mentioned above). Bahraini pilots flew strikes over Iraq during the war, and Iraq fired nine Scud missiles at Bahrain during the war, of which three hit facilities there. Bahrain hosted the regional headquarters for U.N. weapons inspections in Iraq during 1991-1998, and the U.S.-led Multinational Interdiction Force (MIF) that enforced a U.N. embargo on Iraq during 1991-2003.

U.S. Arms Transfers

Congress and successive Administrations, citing Bahrain's limited income, have supported military assistance to Bahrain's small BDF of about 13,000 personnel (plus about 1,200 National Guard). It is eligible to receive grant "excess defense articles" (EDA). The United States transferred the FFG-7 "Perry class" frigate *Subha* (see above) as EDA in July 1997. In 1996, the United States gave Bahrain a no-cost five-year lease on 60 M60A3 tanks; title subsequently passed to Bahrain. Foreign Military Financing (FMF) was suspended for Bahrain in FY1994 but restarted in appreciation of Bahrain's support in OEF and OIF. Recent FMF has been provided to help Bahrain maintain U.S.-origin weapons, to enhance inter-operability with U.S. forces, to augment Bahrain's air defenses, to support its F-16 fleet, and to improve counter-terrorism capabilities.

Some of the U.S. assistance provided to Bahrain, noted in **Table 2** below, is to help Bahrain keep the F-16s sufficiently updated to operate alongside U.S. warplanes. Funds provided under "Section 1206" of the National Defense Authorization Act of 2006 (P.L. 109-163) have been used to improve Bahrain's coastal surveillance capabilities and to build up its Special Operations forces. The Defense Department estimates that, in part due to U.S. assistance, as of FY2008, about 45% of Bahrain's forces are fully capable of integrating into a U.S.-led coalition. Making Bahrain's forces interoperable with U.S. forces, and helping Bahrain upgrade its U.S.-made F-16s with improved avionics, and maintain the frigate *Subha*, are the primary justifications for the substantial increase in requested assistance to Bahrain for FY2010. The requested funding levels for FY2011 are roughly the same as FY2010 levels.

Purchases With National Funds

Despite its limited funds (Bahrain's total government budget was about \$5.6 billion in 2008), Bahrain has purchased some U.S. systems. In 1998, Bahrain purchased 10 U.S.-made F-16Cs from new production, worth about \$390 million. In 1999, the United States sold Bahrain 26 Advanced Medium-Range Air-to-Air Missiles (AMRAAM) to arm the F-16s, although some Members were concerned that the AMRAAM sale could promote an arms race in the Gulf. Section 581 of the FY1990 foreign operations appropriation act (P.L. 101-167) made Bahrain the only Gulf state eligible to receive the STINGER shoulder-fired anti-aircraft missile, and the United States has sold Bahrain about 70 Stingers since 1990. (This authorization has been repeated in subsequent legislation.) To allay congressional concerns about possible U.S. promotion of missile proliferation in the region, an August 2000 sale of 30 Army Tactical Missile Systems (ATACMs, a system of short-range ballistic missiles fired from a multiple rocket launcher) included an agreement for joint U.S.-Bahraini control of the weapon. Among recent sales notified to Congress by the Defense Security Cooperation Agency (DSCA) are a sale, worth up to \$42 million, of 180 "Javelin" anti-armor missiles and 60 launch units; a sale, worth up to \$252 million, of nine UH-60M Blackhawk helicopters; a sale, notified August 3, 2007, of six Bell search and recovery helicopters, valued at about \$160 million; and a sale, notified on July 28, 2009, of up to 25 AMRAAMs (Raytheon Missile Systems Corp.) and associated equipment, valued at about \$74 million.

Some of the most recent sales are in accordance with the State Department's "Gulf Security Dialogue," begun in 2006 to counter Iran, and under which a total of about \$20 billion worth of U.S. weapons might be sold to the Gulf monarchy states. Only a small portion of that total sales volume is reportedly slated for Bahrain.

Other Anti-Terrorism Cooperation

The State Department's report on international terrorism for 2009 (released August 5, 2010) credits Bahrain for having "actively monitored terrorism suspects" and for achieving convictions of five men accused of membership of a terrorist organization—the first use of a 2006 counterterrorism law. The report, however, as did the same report of the previous year, notes that Bahrain has not overcome legal constraints that have sometimes hampered its ability to detain and prosecute suspected terrorists.

Bahrain also continues to host the Middle East and North Africa Financial Action Task Force (MENA/FATF) secretariat and its Central Bank, Financial Information Unit (within the Central Bank), and local banks cooperate with U.S. efforts against terrorism financing and money laundering. As noted by the State Department in the FY2011 budget justification, some of the U.S. assistance to Bahrain is to facilitate Bahrain's ability to contribute to U.S.-led counter-piracy operations in regional waterways, and to provide training to its counter-terrorism institutions.

Economic Relations

Like the other Gulf states, Bahrain was affected by the international financial crisis of 2008-2009, but perhaps to a lesser extent than the wealthier states of Kuwait, UAE, and Saudi Arabia. Bahrain did not experience the construction and real estate "bubble" to the degree that this occurred in, for example, UAE.

Bahrain has the lowest oil and gas reserves of the Gulf monarchy states, estimated respectively at 210 million barrels of oil and 5.3 trillion cubic feet of gas. Some economic statistics are presented in **Table 1**. Without the ample oil or gas resources of its neighbors, Bahrain has diversified its economy by emphasizing banking and financial services (about 25.5% of GDP). At current rates of production (35,000 barrels per day of crude oil), Bahrain's onshore oil reserves will be exhausted in 15 years, but Saudi Arabia shares equally with Bahrain the 300,000 barrels per day produced from the offshore Abu Safa field. The United States buys virtually no oil from Bahrain; the major U.S. import from it is aluminum. Aluminum and other manufacturing sectors in Bahrain account for the existence in Bahrain of a vibrant middle and working class among its citizens. However, these classes are largely composed of majority Shiite Muslims who are envious of the "ownership class" mostly of Sunni Muslims.

To encourage further reform and signal U.S. appreciation, the United States and Bahrain signed an FTA on September 14, 2004. Implementing legislation was signed January 11, 2006 (P.L. 109-169). In 2009, the United States exported \$668 million worth of goods to Bahrain, and imported \$463 million in goods from that country. In 2005, total bilateral trade was about \$780 million, suggesting that trade has expanded significantly following the FTA.

Relations with Iran and Other Regional Issues

As noted previously, Bahrain focuses its foreign policy intently on Iran, which has purportedly demonstrated an ability to aggravate Bahrain's domestic turmoil to a greater degree than has any other regional power. Bahrain perceives Iran as willing and able to support Shiite groups against Bahrain's Sunni-dominated government, a concern that was heightened by the Shiite-Sunni sectarian violence in Iraq during 2006-2008. In December 1981, and then again in June 1996, Bahrain publicly accused Iran of trying to organize a coup by pro-Iranian Bahraini Shiites (the Islamic Front for the Liberation of Bahrain, IFLB).

Bahrain's fears are amplified by lingering suspicions, sometimes fed by Iranian actions, that Iran never accepted the results of the 1970 U.N. survey giving Bahrain independence rather than integration with Iran. Those findings were endorsed by U.N. Security Council Resolution 278, which was ratified by Iran's parliament. After these official determinations, Bahrain had considered the issue closed, after over a century of Persian contestation of Bahraini sovereignty. Those contests included an effort by Reza Shah Pahlavi of Iran in the 1930s to deny Bahrain the right to grant oil concessions to the United States and Britain.

In recent years, Bahrain's leadership—and other countries in the region—have reacted strongly against statements by Iranian editorialists and advisers to Iranian leaders appearing to reassert Iran's claim. One such example was a July 2007 Iranian newspaper article reasserting the Iranian claim to Bahrain. However, that article, along with the Bahraini Crown Prince's November 3, 2007, comment that Iran is developing a nuclear weapon (Iran claims it is developing only civilian nuclear power), did not mar the visit of Iranian President Ahmadinejad on November 17, 2007. At the same time, so as not to provide Iran a pretext to pressure Bahrain, Bahrain's leaders have sometimes tried to silence voices in Bahrain that publicly attack Iran. An example is the one-day suspension in 2009 of the newspaper *Akhbar al Khaleej* (*Gulf News*) for running an editorial by a Bahrain Shura Council member who criticized Iranian leaders.

Bahrain-Iran Gas Deal and Other Economic Ties

Although Bahrain criticizes Iran when it feels Iran might be trying to impinge on Bahrain's sovereignty or meddle in its politics, Bahrain does not seek to antagonize Iran. This is shown by Bahrain's willingness to explore major energy projects with Iran and conduct normal trade and banking ties with it. The 2007 Ahmadinejad visit resulted in a preliminary agreement for Bahrain to buy 1.2 billion cubic feet per day (for 25 years) of Iranian gas via an undersea pipeline to be built. The deal would have involved a \$4 billion investment by Bahrain to develop Phases 15 and 16 of Iran's South Pars gas field, which presumably would be the source of the gas that Bahrain would import.

This deal was suspended after comments in March 2009 by former Iranian parliament speaker Ali Akbar Nateq Nuri, now an advisor to Iran's Supreme Leader, referring to Bahrain as Iran's 14th province. Iran's Foreign Ministry immediately tried to limit any diplomatic damage by asserting respect for Bahrain's sovereignty and independence, but some Arab governments sharply criticized the Nateq Nuri comments. Morocco broke relations with Iran as a response. On October 21, 2009, Bahrain's Minister of Oil and Gas Abd al-Husayn Mirza said talks on the deal would "resume soon."

Bahrain conducts relatively normal trade with Iran and hosts Iranian economic investments. In March 2008, the U.S. Department of Justice sanctioned Future Bank, headquartered in Bahrain, because it is controlled and partially owned by Iran's Bank Melli. The sanctions, under Executive Order 13382 (anti-proliferation), prevent U.S. citizens from participating in transactions with Future Bank and require the freezing of any U.S.-based bank assets.

Energy market observers say that Bahrain energy firms might also be supplying gasoline to Iran. No U.N. Security Council Resolution bars such sales, but a U.S. law signed on July 1, 2010—the Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010 (CISADA, P.L. 111-195)—provides for sanctions against foreign firms that sell more than \$1 million worth of gasoline to Iran. Some energy firms in the Gulf, including in Kuwait, reportedly have become reticent to continue supplying gasoline to Iran because of the U.S. action, but Bahrain is not known to have publicly disavowed further gasoline sales to Iran.⁸

Iraq

Bahrain's participation in OIF came despite domestic opposition in Bahrain to that war. Because of its limited income, Bahrain has not contributed funds to Iraq reconstruction, but it attended the "Expanded Neighbors of Iraq" regional conference process which last met in Kuwait on April 22, 2008. On October 16, 2008, Bahrain's first post-Saddam ambassador to Iraq (Saleh Ali al-Maliki) presented his credentials in Baghdad, in line with King Hamad's pledge to President Bush in March 2008.

⁸ CRS conversations with foreign diplomats, including some from the Gulf. July – September 2010.

Qatar Territorial Disputes⁹

Qatar, like Bahrain, is a GCC monarchy; however, their relations have been sometimes acrimonious because of territorial disputes with roots in the 18th century, when the ruling families of both countries controlled parts of the Arabian peninsula. Qatar-Bahrain relations have improved since an International Court of Justice ruled on March 16, 2001, on the disputes. The ICJ ruled in favor of Qatar on some of the issues, and in favor of Bahrain on others, but the central dispute—over the Hawar Islands—was decided in favor of Bahrain. Qatar expressed disappointment over the ruling but said it accepted it as binding, and the two have since muted mutual criticism and cooperated on major regional issues. The territorial disputes were referred to the ICJ by Qatar in 1991 after clashes in 1986 in which Qatar landed military personnel on a man-made reef (Fasht al-Dibal) that was in dispute, and took some Bahrainis prisoner. Saudi mediation in the 1986-1991 period proved fruitless. That reef was awarded to Qatar in the ICJ ruling. However, the ICJ ruled against Bahrain's claim to the town of Zubara on the Qatari mainland, where some members of the Al Khalifa family were long buried. Two smaller islands, Janan and Hadd Janan, were ruled not part of the Hawar Islands group and were awarded to Qatar.

Arab-Israeli Issues

On the Arab-Israeli dispute, Bahrain has not been as significant a mediator or broker as have its larger neighbors in the Gulf or broader Middle East. Bahrain has not taken a leading role in recent efforts to reconcile Hamas and Fatah to rebuild Palestinian unity, for example. On the other hand, Bahrain is not inactive on the issue; on October 1, 2009, the foreign minister called for direct talks with Israel.

Bahrain participated in the 1990-1996 multilateral Arab-Israeli talks, and it hosted a session on the environment (October 1994). Bahrain did not follow Oman and Qatar in exchanging trade offices with Israel. In September 1994, all GCC states ceased enforcing secondary and tertiary boycotts of Israel while retaining the ban on direct trade (primary boycott). In conjunction with the U.S.-Bahrain FTA, Bahrain dropped the primary boycott and closed boycott-related offices in Bahrain.

Still, the Arab-Israeli dispute is a political issue within Bahrain. Islamist hardliners in Bahrain have accused the government of trying to “normalize” relations with Israel, citing the government's sending a delegate to the November 27, 2007, summit on Middle East peace in Annapolis, the foreign minister's meeting with Israeli officials at U.N. meetings in September 2007, and by proposing (in October 2008) a “regional organization” that would group Iran, Turkey, Israel, and the Arab states. That proposal has not been implemented to date. In late October 2009, the elected COR passed a bill making it a crime (punishable by up to five years in jail) for Bahrainis to travel to Israel or hold talks with Israelis. The bill, which has not proceeded to become law (concurrence by the upper house, and acceptance by the King), apparently was a reaction to a visit by Bahraini officials to Israel in July 2009. The visit was to obtain the release of five Bahrainis taken prisoner by Israel when it seized a ship bound with goods for Gaza, which is controlled by Hamas. In June 2010, Sunni and Shiite Islamists in Bahrain held a demonstration to

⁹ See The Estimate. Dossier: The Bahrain-Qatar Border Dispute: The World Court Decision, Part 1 and Part 2. March 23, 2001 and April 6, 2001.

denounced the Israeli seizure of a ship in a flotilla intended to run the Israeli blockade of the Hamas-run Gaza Strip.

Table 2. U.S. Assistance to Bahrain

(\$ in millions)

	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY2010 Estimate	FY2011 Request
FMF	90.0	24.6	18.847	15.593	14.998	3.968	8.0	19.0	19.5
IMET	0.448	0.600	0.649	0.651	0.616	0.622	.661	.700	.700
NADR			1.489	2.761	.776	0.744	.500	1.10	1.5
“Section 1206”				5.3	24.54	4.3	16.2		

Notes: IMET = International Military Education and Training Funds, used mainly to enhance BDF military professionalism and promote U.S. values. NADR = Non-Proliferation, Anti-Terrorism, De-Mining and Related Programs, used to sustain Bahrain’s counterterrorism capabilities and interdict terrorists. Section 1206 are DOD funds used to train and equip Bahrain’s special forces, its coastal surveillance and patrol capabilities, and to develop its counter terrorism assessment capabilities. (Named for a section of the FY2006 Defense Authorization Act, P.L. 109-163.) FY2008 funds derived from FY2008 supplemental (P.L. 110-252), and the Consolidated appropriation (P.L. 110-329). FY2009 funds included funding from FY2008 supplemental (P.L. 110-252) as well as regular appropriation (P.L. 111-8). FY2010 funds from Consolidated Appropriation (P.L. 111-117).

Figure 1. Bahrain



Source: <https://www.cia.gov/library/publications/the-world-factbook/geos/ba.html>.

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