

Implications of U.S.-Bahrain Free Trade Agreement on Textile and Apparel Industry in Bahrain

Dr Mona Suri

Associate Professor,
Academic Vice President,
Royal University for Women
PO Box 37400, Riffa
Kingdom of Bahrain
E Mail: msuri@ruw.edu.bh

Abstract

The U.S.-Bahrain Free Trade Agreement (FTA) was initiated in the beginning of 2000 and was implemented in August 2006 for a period of 10 years. It allowed both United States and Bahrain to reinforce and improve economic relations and to establish free trade between them through the reduction of barriers to trade in goods and to investment. It had implications for many consumer goods including apparel. MRS Fashion, Ambattur Clothing International and Noble garment Factory, all apparel manufacturers and WestPoint Home Bahrain, a home furnishing manufacturer were established and together employ around 6,200 people. FTA came to an end on 31 July 2016, and has resulted in either closing down of these units or shifting of the garment manufacturing units to places like Jordan and Oman. This has negatively impacted the Apparel Industry in Kingdom of Bahrain especially at a time when most oil based economies are putting their efforts to expand to non-oil based industries like manufacturing industries. This review paper was done to study the details of U.S.-Bahrain FTA and its implications on the Textile and Apparel Industry in Kingdom of Bahrain.

Keywords: Free Trade Agreement (FTA), Bilateral Investment Treaty, Rules of Origin, Textile and Apparel Industry, Yarn Forward rule.

1. Introduction

Bahrain has bilateral trade and economic agreements with over 40 countries, including China, France, India and United Kingdom. Bahrain has Free Trade Agreements with Singapore, GCC Singapore Free Trade Agreement (GSFTA) and European Free Trade Association (EFTA) states and Duty Free Access with the 17 Arab states party to Greater Arab Free Trade Agreement (GAFTA). Bahrain was also the first Arab country to have a Free Trade Agreement with United States of America. The FTA has had positive contribution to trade between the US and Bahrain, it increased from about 1.1 billion US dollars in 2006 to about 2 billion US dollars in 2012 (Bilateral Trade Agreements, 2016). Bahrain is the first Gulf Cooperation Council member and third Arab country to enter into a free trade agreement with the U.S. The FTA between the Kingdom of Bahrain and the United States is an international agreement that seeks to promote increased trade between both the countries (Bahrain Customs/FTA, www.bahraincustoms.gov.bh/fta.php).

The U.S.-Bahrain Free Trade Agreement (FTA) is an agreement between the United States and Bahrain that allows both nations to strengthen and develop economic relations and to establish free trade between the two nations through the reduction and elimination of barriers to trade in goods and to investment; and to lay the foundation for further cooperation to expand and enhance the benefits of such agreement (Welcome to the Bahrain-U.S. FTA Toolkit, Ministry of Trade & Commerce, Bahrain). The Key benefits of the FTA to Bahraini businesses include:

- Eliminating all tariff and non-tariff barriers to trade, thus reducing the cost burdens of exporting and increasing the competitiveness of Bahrain products in the US markets
- Eliminating all barriers to trade in services and the opening of the US market to Bahrain service providers to provide services through local presence or across border, presenting a platform for the expansion of Bahrain's services sector
- Granting Bahraini service providers National or Most Favoured Nation Treatment, allowing competition on common grounds with their US counterparts and to provide their services in the United States without additional regulatory burdens
- Re-enforcing the highest standards of labour, environment, and intellectual property protection
- Non-Bahraini manufacturers and service companies are also provided the option of establishing ventures in Bahrain in order to gain access to the United States markets. Vice-versa, U.S. manufacturers and service providers also had the option of providing services to the greater Gulf and Arab region by establishing in Bahrain

U.S.-Bahrain free trade negotiations began in 1999 with the signing of the Bilateral Investment Treaty (BIT) which entered into force on March 30, 2001. A year later, the groundwork for the Bahrain-US Free Trade Agreement (FTA) was laid with the signing of the Trade and Investment Framework Agreement (TIFA) on June 18, 2002. Dialogue on economic reform and liberalization continued between both countries and negotiations for the FTA were launched on January 26, 2004 in Manama, Bahrain. With the goal of promoting increased trade between the two countries through the reduction of barriers between the two countries, the FTA was signed

September 14, 2004 and entered into force on August 1, 2006. Bahrain is the first Gulf Cooperation Council member and third Arab country to enter into a free trade agreement with the U.S.

The U.S.-Bahrain FTA, which entered into force on January 11, 2006, generated export opportunities for the United States, creating jobs for U.S. farmers and workers. The agreement also supported Bahrain's economic and political reforms and enhanced commercial relations with an economic leader in the Arabian Gulf. On the first day the agreement took effect, 100 percent of the two-way trade in industrial and consumer products began to flow without tariffs.

Because of the FTA, U.S. farmers had significantly increased their agricultural exports to Bahrain. In addition, Bahrain opened its services market wider than any previous FTA partner, creating important new opportunities for U.S. financial service providers and companies that offer telecommunications, audiovisual, express delivery, distribution, healthcare, architecture, and engineering services. The U.S.-Bahrain FTA also promoted the policy of advancing economic reforms and liberalization in the Middle East (Bahrain Free Trade Agreements, <https://ustr.gov/trade-agreements/free-trade-agreements/bahrain-fta>).

In a country already known for its openness, the terms of the FTA reinforced transparency and sound business practices. The Agreement's terms facilitated the exchange of technology and expertise, protection of intellectual property and dispute resolution. When agreeing the FTA, Bahrain laid another foundation stone for the building of a sustainable and diversified economy, based on productivity-led growth. The FTA helped to create an environment in which there are plentiful employment opportunities for educated and highly skilled Bahrain workers (The Bahrain-United States Free Trade Agreement, www.bahrainonline.org).

2. Impact of FTA on Textile & Apparel sector

Bilateral trade in qualifying textiles and apparel goods became duty-free upon the date the Agreement entered into force, promoting new opportunities for U.S. and Bahraini fiber, yarn, fabric and apparel manufacturing. The Agreement required most qualifying textiles and apparel to be made from either U.S. or Bahraini yarn and fabric and contained a temporary transitional allowance for textiles and apparel that did not meet these requirements (up to a specified limit), so that U.S. and Bahrain producers could develop and expand business contacts.

The FTA provided fully reciprocal market access for Bahrain and U.S. textile and apparel producers. Tariffs on textiles and apparel trade were to be eliminated immediately, promoting new opportunities for Bahrain and U.S. fiber, yarn, fabric, and apparel manufacturing (The Free Trade Agreement, 2004).

As per the report released in 2004 it was stated that "Bahrain has a number of garment factories on the island employing several hundred workers of whom large percentages are Bahraini citizens. Bahrain exports most of its readymade garments to the U.S. and Europe. Bahraini companies currently pay an 18 per cent tax on all readymade imports from Bahrain to the U.S. Textiles and apparel products will receive immediate duty-free access upon entry, as long as they meet the rules of origin requirement (Yard- Forward Rule). The FTA provides for a 10-year transition period, during which Bahrain's production of textiles and apparel that do not meet the rules of origin requirement will be exported to the U.S. duty free (limited to 65 million square meters). These rulings will make imports from Bahrain more attractive to U.S. customers. Bahrain has very progressive labor policies that make it an attractive destination for sourcing garments and is a viable alternative -sourcing destination to the Far East, thereby reducing the West's dependence on these countries. Further, due to its proximity to textile producing nations and export markets, its low wage costs and excellent infrastructure, Bahrain is an ideal location for garment factories. The FTA will help to further develop this sector with global manufacturers relocating or establishing a presence in Bahrain" (The Bahrain-United States Free Trade Agreement, www.bahrainedb.com). Hence FTA was looked up as a boon for the textile and apparel industry in Bahrain as it opened avenues for employment, exports and economic progress. Through duty elimination, the U.S.-Bahrain FTA allowed 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 opened the Bahraini market to U.S. products (Free trade Agreements, web.ita.doc.gov).

As per the FTA, for textiles and Apparel sector the following were applicable (Welcome to Bahrain-U.S. FTA Toolkit, Ministry of Trade & Commerce, Bahrain):

- Textiles and apparel trade were duty-free immediately, promoting new opportunities for US and Bahraini fiber, yarn, fabric and apparel manufacturing
- The FTA rules of origin required textiles and apparel to contain either US or Bahraini yarn or fabric to qualify for duty-free treatment

The FTA tempered this requirement with a temporary transitional allowance for textiles and apparel that do not meet the requirements (the Yarn-Forward Rule) to give US and Bahrain producers time to develop and expand business contacts. Also, the Agreement provided for a 10-year transition period, during which Bahrain's production of textiles and apparel that do not meet the rules of origin requirement will be exported to the US duty free; the temporary transitional allowance is limited to 65 million square meters in the aggregate.

Generally, to qualify for preferential tariff treatment under the U.S.-Bahrain FTA, a product must qualify as an "originating" good under the terms of the Agreement. This means that the product must have sufficient U.S. or Bahraini content or processing to meet the criteria of the Agreement. If goods contain only U.S. or Bahraini inputs they qualify. If they contain some inputs from other countries, they still might qualify if they meet specific criteria set out in the FTA's Rules of Origin (Textiles & Apparel, <https://ustr.gov>). For most products, a good will qualify even if it contains inputs from other countries provided it is both (a) produced in Bahrain or the United States, and (b) when added together, the value of U.S. or Bahrain inputs and the direct cost of manufacturing in the United States and Bahrain equals at least 35 percent of the value of the goods. For textiles and apparel and a few other products (all of which are prepared food items), the 35 percent test was not applicable, and the rule instead was based on the tariff classification of the product. For these few products, there were product-specific rules that require the non-U.S./Bahraini inputs undergo a specified transformation through processing in the United States or Bahrain, the so-called tariff shift method. As per the notification from Bahrain Customs (Bahrain Customs/FTA, www.bahraincustoms.gov.bh/fta.php) the definition of Originating Good under the FTA, the good must (generally):

- Be made entirely in the US from US and/or Bahraini materials; OR
- Be made in the US (made from a foreign material that has been "substantially transformed") and have at least 35% of the value from US and/or Bahraini origin materials and direct costs of processing operation.

As per the notification the goods must be imported directly from the U.S. Goods were allowed to transit through a 3rd country and be subject to operations such as unloading, reloading and inspections. New documents like Bill of Lading or Invoice etc. issued from a 3rd country were acceptable. However, the goods could not undergo production or manufacturing operations. A good, which has undergone simple combining or packaging operations shall not be considered originating.

3. Yarn Forward Rule of FTA

The Textiles Chapter in Bahrain-United States Free Trade Agreement (The Free Trade Agreement, 2004) includes specific rules for determining whether a textile or apparel good is an "originating good." The Chapter follows a "Yarn-Forward" rule of origin. A textile or apparel good will generally qualify as an "originating good" only if all processing after fiber formation, such as yarn-spinning, fabric production, cutting, and assembly, takes place in the territory of Bahrain or the United States, or both, or if there is an applicable change in tariff classification.

The rule incorporates a *de minimis* exception for non-originating yarns or fibers, a rule for treatment of sets, and consultation provisions. The *de minimis* rule applies to goods that ordinarily would not be considered originating goods because certain of their fibers or yarns do not undergo an applicable change in tariff

classification. Under the rule, the Parties considered a good to be originating if such fibers or yarns constituted ‘seven percent or less’ of the total weight of the component of the good that determines the tariff classification. This special rule did not apply to elastomeric yarns (The Free Trade Agreement, 2004).

The U.S.-Bahrain FTA contained the industry-supported “yarn forward.” The free trade agreements (FTAs) with Israel and Jordan allowed for the use of unlimited third-country yarn and fabric in apparel eligible for duty-free treatment. As with other FTAs (including Morocco, NAFTA, Singapore, and Chile), the agreement contained limited allowances for the use of yarn and fabric from a non-party under a Tariff Preference Level (TPL). But unlike NAFTA, the TPL in the Bahrain FTA was temporary. It was set at a level of 65 million square meters equivalent for the first 10 years of the FTA. The TPL was equal to 0.1 % of total U.S. imports of textiles and apparel. After the TPL expired, all trade under the Bahrain FTA must adhere to the yarn-forward rule of origin (US- Bahrain FTA, <https://ustr.gov/about-us>).

Even if the FTA promised lots of benefits to the Bahrain economy in general and Textile and Apparel Industry in particular, people had their reservations about it. “Rules incorporated in Bahrain’s FTA with the US will hinder rather than help the local textile industry”, said a textile industry expert (FTA tough on Garment sector, 2005), “And only one of two existing textile companies can expect to survive for long in the wake of the World Trade Organisation (WTO) quota regime abolishment and the FTA framework”, said Adnan Bashir, who was involved with FTA discussions on behalf of the textile industry. Out of Bahrain’s total exports of \$378.25 million to the US in 2003, textile and garment products accounted for \$185.29 million. Under the Yarn Forward Rule of the FTA, any textile producer can enter the US duty-free if his products are spun, woven, finished and fabricated in Bahrain. “It means if we are to sell garments or made-up articles, they should be made from greige fabric woven in Bahrain with made-in-Bahrain yarn, which makes it impossible for all textile and garment companies except Manama Textile Mills (MTM) to benefit in any way,” said Bashir. “That’s because it’s becoming a vertical set up, the only company that will have spinning, weaving and finishing facilities of its own for denim and home furnishing products and it would like to export a large portion of these products into the United States.” MTM at that time operated with two spinning and three weaving mills and was planning to expand to make denim fabric, garments and home furnishing products.

It was also noted that Bahrain is a comparatively high-cost producer of apparel, based on relatively high wage rates. Therefore, the Bahraini industry was likely be vulnerable following elimination of ATC quotas in 2005. Substantial increase in U.S. imports of apparel from Bahrain was possible, but the net increase in total U.S. imports of apparel was likely to be small, as Bahrain is a small supplier to the United States, and most of the expected increase in shipments from Bahrain was likely to displace imports from other U.S. suppliers (US-Bahrain Free Trade Agreement, 2004).

4. Tariff Preference Limit (TPL)

The ‘Yarn Forward Rule’ was ostensibly introduced to encourage Bahrain producers to bring into the kingdom overseas capital and technology investments. It was also aimed at protecting the local U.S. industry. It was feared that in the absence of the rule, garment units would have mushroomed in Bahrain and they would bring fabrics from anywhere in the world for cutting and sewing prior to exports to America. However, the US had agreed to provide a lifeline to the textile and garment industry already existing in Bahrain. This was in the shape of the Tariff Preference Limit (TPL), incorporated after the local industry conveyed to the Americans they stood to gain nothing from the Yarn Forward Rule (FTA tough on Garment sector, 2005). The TPL waives the requirements of the Yarn Forward Rule for 10 years but places a limit on the volume exported to the US. The limit set was 65 million sq m per year, based on Bahrain’s exports of

garments and textiles in 2003. The division was 35 million sq m for the garment industry and 30 million sq m for textile manufacturers.

It was clearly implied that “If garment companies do not become yarn forward within the 10year lifeline granted to them, they will have to down their shutters and move out. They’ll have an option to move their facilities to countries which have trade pacts with the US such as Jordan and Egypt and the cost of production is not higher than Bahrain. Even garment manufacturers selling high-value items would leave. With the WTO having pulled down international quotas, companies specialising in lower-value garments would not survive even with the TPL” (FTA tough on Garment sector, 2005).

5. Expiration of US –Bahrain FTA TPL

The U.S.-Bahrain FTA contributed positively to the trade. US Deputy Chief of Mission in Bahrain Timothy Pounds in May 2014, said that the FTA has produced tangible benefits for both countries (Saxena, 2014), which is reflected in the trade statistics, as follows:

- “In 2014, Bahrain was their 87th largest goods trading partner with \$1.7 billion in total (two-way) goods trade last year.
- US goods exports to Bahrain in 2014 were \$1bn, down 15.9pc (\$193m) from 2012, but up 100pc from 2003.
- The US goods trade surplus with Bahrain was \$383m in 2013, whereas US goods imports from Bahrain totaled \$635m, a 9.4pc decrease (\$66m) from 2012, but up 68pc from 2003
- In 2014 US imports from Bahrain were up 47pc and US exports to Bahrain were up 190pc from 2005 (pre-FTA).
- The five largest import categories in 2013 were: Aluminum (\$181m), woven apparel (\$107m), mineral fuel (oil) (\$95m), fertilizers (\$91m), and miscellaneous textile articles (\$64m),”.

Further, MRS Fashion, Ambattur Clothing International and Noble Garment factory, all apparel manufacturers, and WestPoint Home Bahrain, a home furnishing manufacturer, together employed around 6,200 people in 2015. Apparel and textiles contributed 27 per cent of total exports from Bahrain to the US and investment in the sector is believed to be in excess of \$250 million (US-Bahrain FTA Expiry may hit textile firms, 2015).

The ‘yarn forward rule’ of origin, limited the allowances for the use of yarn and fabric from a third-party. The rule was suspended for the first 10 years of the FTA with the TPL set at a level of 65 million square meters equivalent. This allowed companies in Bahrain like MRS Fashion, WestPoint Bahrain, Ambattur Clothing International and Noble Garments Factory to use raw materials imported from countries that are not signatories to the US-Bahrain FTA, but still export their products to the US duty-free. With the expiration of U.S.-Bahrain FTA this would have been affected. The four major players in apparel sector went through changes in the last 10 years.

WestPoint Home: Manama Textile Mills of Bahrain, were the makers of yarn and greige (raw fabric) and they steered itself into the denim and home furnishing sectors to do what no other Middle East enterprise had done in 2004. At that time they were sending yarn and fabric overseas to finishing industries that value-add for making other products (Fabric of Success, 2004). The company became the first vertical textile operator — manufacturing yarn and greige and then going on to make denim fabrics and garments as well as home furnishing items and suiting. By February 2005, the mill was up and running, and a year after that the production of denim garments began. This entailed additional investment and the opening of showrooms in Bahrain and abroad. It was the first time the company was making garments, abandoning its role as an exclusive textiles manufacturer. In September 2006, WestPoint Home Inc., West Point, Ga., had signed a

letter of intent to acquire the home textile assets of Manama Textile Mills W.L.L., who were a supplier of bedding products to WestPoint Home (WestPoint home, 2006). The planned acquisition of the vertical bedding operation was part of WestPoint Home's strategy to establish overseas manufacturing capabilities. This also paved the path for WestPoint Home to be the only company that worked towards Yarn forward rule of origin and is continuing its operations in Bahrain even after the expiry of FTA.

MRS Fashion: This unit was founded in 2000 in Bahrain. In 2004 MRS fashion employed over 600 workers and were producing 3 million pieces annually. The unit was fully equipped with state of the art technology and latest automated machinery. They were granted duty free status for US market post FTA and their production was 8 million pieces annually with 1500 workers being employed by them. They were mainly producing bottoms for men and women garments. They were supplying to Clients like C&A, GAP, H&M, JC Penny, Tommy Hilfiger, Walmart to name a few. Post FTA expiry they have shifted their facilities to Salalah, Oman (www.mustgraments.com).

Noble Garment Factory, WLL. Bahrain: They specialized in Bottoms. The Factory housed a manufacturing unit with 450 basic machines and 140 ancillary machines, besides a full-fledged laundry. They had a machine to man ratio of 1:1.85 in conformity with the international standards. The machines were primarily of Japanese make and a special computerized system was in place for preparing and grading patterns, creating markers and using automatic layering machines. It was a fully integrated factory in a quota free environment and production facility was dedicated for High End Garments. Due to the anticipated expiration of U.S.- Bahrain FTA, they started with a unit in Jordan in beginning of 2016 and have now fully shifted their facilities after July 2016 to Amman. Currently 10 lines are operational having 800 machines from cut to pack. They are manufacturing Men's formal trousers and Golf Shorts and the facility has in house high end embroidery machines. Currently the workforce is 2000 employees, a mix of different nationalities – Jordanians, Indians, Bangladeshi, Sri Lankan and Filipino and Staff strength is expected to increase to 3500 by 30-06-2017 (<http://Neelkamal.com>).

Ambattur Clothing International: Ambattur Clothing Limited manufactured and marketed apparel. The company owns nine production facilities in India and one at Bahrain. Ambattur Clothing Limited was founded in 1981 and is based in Chennai, India. The Bahrain facility was located in Ma'ameer Industrial Area in Bahrain. They specialized in producing readymade garments and factory production capacity 300 thousand pieces monthly (as in 2014) contributing significantly to develop industrial activity in the recent years to form a strong pillar in the national economy.

The U.S.-Bahrain FTA continued for 10 years and was scheduled to expire on 31st December 2015; Bahrain's textile industry got a temporary respite where the Federal Register Notice (FRN) issued on December 30, 2015 amended the previously incorrect expiration date of the USBahrain FTA TPL (Bahrain Textile Sector, 2015). Before, the expiration date had been listed as December 31 2015, but the industry's representatives from Bahrain succeeded in convincing the US authorities that the date was incorrect since the programme was not initiated until August 2006, and therefore the 10-year programme was set to expire on July 31, 2016 (McGregor, 2015).

But Bahrain's textile industry, that annually exported around US\$ 200 million worth of goods to the US and employed more than 6,000 people, wanted an extension of the TPL for a further 10year period until July 31, 2026 (Bahrain Textile Sector gets FTA Extension, 2015) since the expiration of TPL will increase the price of Bahraini goods making them unattractive for Bahrainbased textile and apparel exporters—including MRS Fashion, Ambattur Clothing International, Noble Garment Factory, and WestPoint Home Bahrain. Hence the

six month extension was not a new benefit, as the TPL needed to be extended for an additional 10 years for Bahrain-based textile manufacturers to remain viable.

Besides job and trade losses, failure to get the TPL extended could also result in "Made in Bahrain" labels on garments disappearing from US stores. The TPL expiry also has implications for the US. West Point Home Bahrain is a subsidiary of US textile manufacturer WestPoint Home, which operates a plant in Chipley, Florida. The Bahrain unit produces yarn that is shipped duty-free to the Chipley plant employing about 250 workers, who make comforters, quilts and other home furnishings. WestPoint Home has said it may have to close the plant if it is forced to pay higher tariffs for raw materials imported from Bahrain.

AmCham Bahrain president Qays Zu'bi made efforts so that the organisation would increase pressure to extend the tariff agreement. Further, the Cabinet approved amendments to the FTA, which will result in new articles involving the country of origin of products, in a bid to add more services and products to the agreement. But the U.S. Senate Finance Committee in April 2015 rejected an attempt by Senator Bill Nelson and Congress members Gwen Graham and Jeff Miller to extend the Tariff Preference Level (TPL) on imports of certain cotton and man-made fiber, fabric, apparel and made-up goods from Bahrain under the U.S.-Bahrain Free Trade Agreement (FTA) until 2026 (Fabric of Success, 2004).

After the TPL expired in July 2016, all trade under the Bahrain FTA that was obligated to adhere to the 'yarn forward rule'. This meant that the four Bahrain-based textile exporters were no longer able to export their products to the US duty-free unless they can prove that all the constituent parts 'from the yarn to the fabric to the thread' are made by either the US or Bahrain.

The firms were thus forced to leave Bahrain as the tax-exempt status is not continued making the business 'completely uncompetitive.'" The firms were unable to match the prices set by factories in India, China, Vietnam and Bangladesh, because the labour costs in Bahrain are too high,' (The Free Trade Agreement, 2004). Two of the firms have already set up manufacturing in Jordan and another firm has an operation in Oman, which would be scaled up. Oman and Jordan have similar FTAs with the US, but as they came into force much later than Bahrain's (January 2009 for Oman and January 2010 for Jordan) they have more time to secure extensions to TPLs. Omani authorities have already started lobbying to get the extension with more than three years remaining and are confident of getting it, claimed the industry representative.

The only company that has survived the WestPoint Home (WPH), a global marketer and manufacturer of home products, has announced an investment of \$9 million in the third phase expansion of its manufacturing complex in Bahrain (WPH to invest, 2016). WestPoint Home manufactures and sells products globally to leading retail and hospitality customers under popular owned brands including Martex, Vellux, Grand Patrician, Patrician, Luxor, Utica, Modern Living and Nostalgia. As per WestPoint Home the third phase expansion project will increase spinning capacity by 38 per cent. Spinning more yarn in Bahrain will decrease lead times, increase flexibility and will, along with other initiatives help to mitigate the impact of the TPL expiration mid-2016 and will allow the company to continue to import Bahrain manufactured textile product into the USA duty free.

6. Conclusion

It can thus be concluded that the Implementation of FTA in 2006 started as a very promising beginning for the Industry in general and Textile and Apparel sector in particular. In the last 10 years the industry was benefited by providing more employment opportunities, adding to exports and contributing to the economy. The Textile and Apparel sector showed expansion where four major units namely MRS Fashion, Noble Garments factory, Ambattur Clothing International and WestPoint Home got the duty free status for the US markets. They updated their facilities, brought state of the art technologies to Bahrain. The expiration of the FTA in July

2016, has negatively impacted either in the form of shifting of these companies to countries like Jordan and Oman, who still have 3 years of valid FTA, or closing down operations in Bahrain. Only one company that implemented the 'yard forward rule' in these 10 years is able to continue with their operations successfully in Bahrain. At a time when the Oil based economies world over are making efforts to shift to non-oil based or manufacturing industries the expiration of US-Bahrain FTA will have an effect on the economy.

Bibliography

1. Bilateral Trade Agreements. (2016). Bahrain Economic Development Board. [Online] Available: http://www.bahrain.com/en/about-the-gulf/Pages/Bilateral-Trade-Agreements.aspx#.V6sbD_197IU (August 23, 2016)
2. Bahrain Customs/FTA. Kingdom of Bahrain. Ministry of Interior Customs Affairs. [Online] Available: www.bahraincustoms.gov.bh/fta.php (accessed on 22/5/2016)
3. Welcome to the Bahrain-U.S. FTA Toolkit: The Bahrain-U.S. Free Trade agreement. Ministry of Industry and Commerce. Kingdom of Bahrain.
4. Bahrain Free Trade Agreements. Office of the United States Trade Representative. [Online] Available: <https://ustr.gov/trade-agreements/free-trade-agreements/bahrain-fta> (May 22, 2016)
5. The Bahrain-United States Free Trade Agreement. Textiles and Apparel, Ministry of Finance and National Economy. [Online] Available: www.bahrainonline.org/showthread.php?t=836649 (May 22, 2016)
6. The Free Trade Agreement between the Kingdom of Bahrain and the United States of America- Benefits and Opportunities. (2004). BDO, Management Consultants.
7. The Bahrain –United States Free Trade Agreement. Economic Development Board, Bahrain. [Online] Available: <http://www.bahrainedb.com/en/EDBDocuments/FTA-A4-6pp-SILVER-Spread.pdf> (May 22, 2016)
8. Free Trade Agreements- Summary of the US-Bahrain Free Trade Agreement. International Trade Administration. Office of Textiles and Apparel (OTEXA). [Online] Available: web.ita.doc.gov/tacgi/fta.nsf/FTA/Bahrain?opendocument (August 7, 2016)
9. Textiles and Apparel. Chapter 3. Office of the United States Trade Representative. [Online] Available: https://ustr.gov/sites/default/files/uploads/agreements/fta/bahrain/asset_upload_file351_6272.pdf (August 10, 2016)
10. US-Bahrain FTA: Textiles and Apparel Provisions. [Online] Available: <https://ustr.gov/aboutus/policy-offices/press-office/fact-sheets/archives/2004/september/us-bahrain-fta-textile-andapparel-provisi> (August 10, 2016)

11. FTA tough on garment firms. (2005). Gulf Industry online, 01 January 2005. Al Hilal Group. Kingdom of Bahrain. [Online] Available: www.gulfindustryworldwide.com/news/2880_FTA_tough-on-garmeny-firms.html (May 22, 2016)
12. US- Bahrain Free Trade agreement: Potential Economy wide and selected Sectoral Effects. (2004). Investigation No. TA-2104-15, United States International Trade Commission, USITC Publication-376. [Online] Available: <https://www.usitc.gov/publications/332/pub3726.pdf> (August 10, 2016)
13. Saxena, A. (2014). Key US-Bahrain FTA 'has no expiry date'. Gulf Digital News. 7th April. Vol. XXXVIII No.018 Posted on 28 May, 2014. [Online] Available: <http://archives.gdnonline.com/NewsDetails.aspx?date=04/07/2015&storyid=377891> (August 23, 2016)
14. US-Bahrain FTA expiry may hit textile firms. (2015). Trade Arabia- Business News Information. April 28. Manama, Kingdom of Bahrain. [Online] Available: www.tradearabia.com/news/BANK_280753.htm (May 22, 2016)
15. Fabric of Success. (2004). Gulf Industry Exporters Importers, Sep - Oct. Volume 13 Issue 5. [Online] Available: www.gulfindustryworldwide.com/news/2671_Fabric-of-success.html (August 7, 2016)
16. WestPoint Home to Acquire Manama Home Textile Assets. (2006). Textile World. September 1, [Online] Available: <http://www.textileworld.com/textile-world/textile-news/2006/09/westpointhome-to-acquire-manama-home-textile-assets/> (August 7, 2016)
17. www.mustgarments.com (August 30, 2016)
18. <http://neelkamal.com/noble/aboutus.shtml> (August 30, 2016)
19. Bahrain Textile Sector gets 7 month TPL Respite. (2015). Fibre2Fashion. Jan 28. [Online] Available: <http://www.fibre2fashion.com/Knowledge/News/Textile> (May 22, 2016)
20. McGregor, L. (2015). Bahrain Textile Industry to Suffer if TPL Expires. Sourcing Journal Online. 28 January. Hertzman Media Group. [Online] Available: <https://sourcingjournalonline.com/bahrainstextile-industry-suffer-tpl-expires-lm> (May 22, 2016)
21. Bahrain's textile sector gets FTA extension. (2015). Trade Arabia- Business News Information. January 11. Manama, Kingdom of Bahrain. [Online] Available: www.tradearabia.com/news/IND_273042.html. (May 22, 2016)
22. WPH to invest \$9m in Bahrain unit expansion. (2016). Trade Arabia Business News Information. 4 January. [Online] Available: http://www.tradearabia.com/news/IND_297971.html (accessed on August 7, 2016)