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Bahrain: Key Issues for U.S. Policy

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Summary

After years of instability during the 1990s, Bahrain has entered an era of political reform and development, but there are still simmering tensions between ruling Sunni Muslims and the Shiite majority. Bahrain's stability has long been a key U.S. interest — the small Persian Gulf state has hosted headquarters for U.S. naval forces in the Gulf since the end of World War II. In September 2004, the United States and Bahrain signed a free trade agreement to encourage further reform and signal appreciation for Bahrain's support. This report will be updated. See also CRS Report RS21846, *Proposed U.S.-Bahrain Free Trade Agreement*.

The Political Structure, Reform, and Opposition¹

The Al Khalifa family has ruled Bahrain since 1783, when the family's arrival ended a century of domination by Persian settlers. Bahrain became independent from Britain in August 1971 after a 1970 U.N. report said that its inhabitants preferred independence to Iranian control. Bahrain's leadership changed on March 6, 1999, when the Amir (ruler) Isa bin Sulman Al Khalifa died suddenly and was succeeded by his son Hamad bin Isa Al Khalifa, who is about 56 years old. King Hamad, educated at Sandhurst Military Academy in Britain, had served as commander of the Bahraini Defense Forces (BDF) and worked extensively on U.S.-Bahrain defense cooperation. Hamad² subsequently named his son, Salman, as Crown Prince. Salman, who is about 33 years old, is U.S.- and U.K.-educated and, as head of the "Economic Development Board," is considered a proponent of rapid reform. The King's uncle (the brother of the late ruler), Khalifa bin Salman Al Khalifa, generally opposes dramatic reform, but he remains Prime Minister.

¹ Much of the information and observations in this report were obtained during a CRS visit to Bahrain during February 20-26, 2005.

² Hamad changed his title to King, from Amir, just prior to the February 2002 referendum on the new national charter.

Since taking office, King Hamad has instituted significant reforms, largely succeeding in quieting opponents and earning repeated Bush Administration praise as a regional model. The slow pace of reform under Amir Isa had led to serious political unrest during 1994-1998. During that time, a coalition of Shiite and Sunni Muslims demonstrated and petitioned for a restoration of an elected national assembly, provided for under the 1973 constitution but abolished in August 1975. The unrest started out as broad based but took on a more narrow sectarian (Shiite Muslim) character. Shiites are over 60% of the population but have wielded little political power and have suffered official discrimination and a perceived lack of job opportunities.

As Hamad's first step in opening up the political process, on February 14, 2002, Bahrain held a referendum on a new "national action charter (constitution)." Elections were held in October 2002 for a 40-seat "Council of Representatives." However, some mostly Shiite opposition groups, including Al Wifaq (the largest opposition grouping), National Action, Islamic Action, and the Nationalist Assembly boycotted the elections; they criticized the formation of an appointed upper body (Shura Council) of the same size and with the same powers as the elected assembly. The partial boycott lowered turnout to about 52% but also allowed the elected body to be dominated (about two-thirds) by minority Sunni Muslims and roughly split between secularists and Islamists. Six of the 170 total candidates were women; none was elected, but two received enough votes to force a runoff. King Hamad appointed six women to the Shura Council; he also appointed one Jew and one Christian to that council. There are two female ministers: of Social Affairs (Dr. Fatima al-Balooshi) and of Health (Dr. Nada Haffadh); two other women, including the president of the University of Bahrain, have ministerial rank.

Together, the Council of Representatives and the Shura Council constitute an increasingly vibrant National Assembly. The Council of Representatives can propose (but not actually draft) legislation, question ministers, and override the King's veto of approved legislation, and it can, by a two-thirds majority, vote no-confidence against ministers and the Prime Minister. The Shura Council is largely limited to amending draft legislation. According to U.S. Embassy officers, the National Assembly is gaining in scope of authority as a check on government power, and many of those that boycotted the 2002 elections will likely participate in the 2006 election, perhaps inspired by a Shiite victory in Iraq's January 2005 elections. The appointed Shura Council contains generally more educated and pro-Western members and is widely viewed as a check against the more Islamist-leaning elected Council of Representatives.

Despite the reforms, Sunni-Shiites tensions remain and have been partly aggravated by the Shiite perception that a once-repressed Shiite majority is now on the cusp of power in Iraq. Political parties remain banned, although political activities by groupings such as Al Wifaq are allowed. In May 2004, a crowd of 5,000 demonstrators rallied by Al Wifaq protested the U.S. occupation of Iraq. Police fired tear gas and pellets at the demonstrators, but King Hamad fired the Interior Minister for using force. In September 2004, the government closed the Bahrain Center for Human Rights and temporarily arrested its leader for criticizing the Prime Minister, but several other Bahraini human rights organizations remain open.

Bahrain has earned U.S. praise, most recently in the February 2004 State Department report on human rights, by instituting labor reform, including a 2002 law granting workers, including non-citizens, the right to form and join unions. There are now 39 trade

unions in Bahrain, and workers are permitted to conduct work stoppages. The constitution declares Islam the official religion, but Bahrain allows freedom of worship for Christians, Jews, Hindus, and Baha'is.

The United States seeks to accelerate political reform in Bahrain.³ Through the State Department's "Middle East Partnership Initiative" (MEPI), the United States launched an Arab judicial reform program in September 2003, hosted by Bahrain. Supreme Court Justice Sandra Day O'Connor led the U.S. delegation. Other MEPI funds have been used to assist the elected Council of Representatives, to advance women, and to fund AFL-CIO projects with Bahraini labor organizations.

The far more limited reform steps by the former ruler did not satisfy popular demands. In December 1992, Amir Isa established a thirty-member appointed Consultative Council to review and comment on proposed laws. Half of the members were Shiite Muslims. In June 1996, the regime tried to energize the Consultative Council by expanding it to forty members from thirty, empowering it to initiate debate on major social issues rather than respond to government initiatives.

U.S.-Bahrain Relations⁴

U.S. relations with Bahrain have been focused on defense over the past decade, but relations are broadening on economic issues and political reform.

Defense Cooperation. In large part to keep powerful neighbors in check, Bahrain has long linked its security to the United States. February 1998 marked the 50th 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, after a pending expansion, will cover over 100 acres. About 3,000 U.S. personnel, mostly Navy (but from several different commands) work there; fewer than half live on the compound. Some smaller U.S. ships (minesweepers) are docked there, but the port facility is too shallow to handle aircraft carriers. The headquarters currently coordinates the operations of over 30 U.S. warships performing support missions for U.S. operations in Iraq war (securing Iraqi oil platforms) and anti-terrorism missions to prevent the seaborne movement of Al Qaeda or other terrorists, as well as arms or weapons of mass destruction (WMD)-related technology, across the Arabian Sea. Most of these U.S. operations are in partnership with ships from nations contributing to the Iraq war (Britain, Italy, Australia, Canada, and Singapore) and the U.S.-led stabilization operations in Afghanistan (including ships from Germany, France, and Pakistan). According to U.S. commanders in Bahrain, the maritime mission is increasingly expanding into maritime narcotics interdiction as well. During the 1990s, the U.S.-led Multinational Interdiction Force (MIF), which enforced a U.N. embargo on Iraq, was run out of the headquarters.

³ Information in this section is taken from the State Department report *Supporting Human Rights and Democracy: The U.S. Record 2003-2004*. [<http://www.state.gov/g/drl/rls/shrd/2003>].

⁴ A U.S. Embassy in Manama, Bahrain's capital, opened in September 1971. A resident ambassador was sent in 1974.

Bahrain participated in the allied coalition that ousted Iraq from Kuwait in 1991, hosting 17,500 troops and 250 combat aircraft at Shaykh Isa Air Base. Bahraini pilots flew strikes over Iraq during the war, and Iraq fired nine Scud missiles at Bahrain during the conflict, of which three hit facilities there. After the 1991 Persian Gulf war against Iraq, the United States and Bahrain signed a 10-year defense pact (October 28, 1991), renewed in October 2001. The agreement reportedly provides U.S. access to Bahraini bases during a crisis, the pre-positioning of strategic materiel (mostly U.S. Air Force munitions), consultations with Bahrain if its security is threatened, and expanded exercises and U.S. training of Bahraini forces.⁵ Bahrain hosted the regional headquarters for U.N. weapons inspections in Iraq during 1991-1998. However, it did not permit U.S. strikes on Iraq from Bahrain during Operation Desert Fox (December 16-19, 1998).

Bahrain provided extensive support to the recent U.S.-led wars in Afghanistan (Operation Enduring Freedom, OEF) and Iraq (Operation Iraqi Freedom, OIF), despite domestic opposition in Bahrain particularly to the war in Iraq. During the 1990s, Bahrain accommodated about 1,300 U.S. military personnel participating in operations to contain Iraq. During OEF, which began on October 7, 2001, Bahrain hosted about 4,000 U.S. military personnel. U.S. forces increased slightly, to about 4,500 for OIF, which began on March 19, 2003; most of the additional U.S. forces were U.S. Air Force personnel deploying to Shaykh Isa Air Base. Bahrain allowed the United States to fly combat missions from the base in both OEF and OIF. During OEF and OIF, Bahrain publicly deployed its U.S.-supplied frigate warship (the *Subha*) to help protect U.S. ships. In recognition of the close defense relationship, in March 2002, President Bush (Presidential Determination 2002-10) designated Bahrain a “major non-NATO ally (MNNA),” a designation that will facilitate future U.S. arms sales.

Congress and successive Administrations, citing Bahrain’s limited oil income, have supported military assistance to Bahrain’s small BDF — about 11,000 personnel. The United States transferred the FFG-7 “Perry class” frigate, cited above, as an “excess defense article (EDA) in July 1997. Bahrain reportedly wants another EDA frigate. In 1996, the United States gave Bahrain a no-cost five-year lease on 60 M60A3 tanks; title subsequently was given to Bahrain. Foreign Military Financing (FMF) was suspended for Bahrain in FY1994, but, in appreciation of Bahrain’s support in OEF and OIF, FMF has restarted. International Military Education and Training Funds (IMET) increased.

U.S. Assistance to Bahrain

	FY2002	FY2003	FY2004	FY2005 est.	FY2006 (requested)
FMF (in millions)	\$28.5	\$90.0	\$24.6	\$18.85	\$19.0
IMET (in thousands)	\$395	\$448	\$600	\$650	\$650

⁵ 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), p.27.

Despite limited funds, Bahrain has purchased U.S. systems.⁶ Before the 1991 Gulf war, Bahrain bought M60A3 main battle tanks and older model F-5 fighter aircraft. In 1998, Bahrain purchased ten U.S.-made F-16Cs from new production that, along with spare engines and armaments, was worth about \$390 million. In late 1999, the Clinton Administration, with congressional concurrence, sold Bahrain 26 Advanced Medium-Range Air-to-Air Missiles (AMRAAM) to arm the F-16s. Some Members were concerned about the sale of AMRAAM's to Gulf countries on the grounds that the sale might 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. (This authorization has been repeated in subsequent legislation.) The United States has sold Bahrain about 70 Stingers since 1990. No major new Bahraini purchases of U.S. arms are under consideration, according to U.S. Embassy officers in Bahrain.

One of the more controversial sales to a Gulf state resulted from an August 2000 Bahraini request to purchase 30 Army Tactical Missile Systems (ATACMs), a system of short-range ballistic missiles fired from a multiple rocket launcher. To allay congressional concerns that the sale would facilitate the spread of ballistic and cruise missiles in the Gulf, the Defense Department told Congress the version sold to Bahrain would not violate the rules of the Missile Technology Control Regime (MTCR).⁷ The Administration proposed, and Bahrain accepted, a system of joint U.S.-Bahraini control of the weapon under which Bahraini military personnel would not have access to the codes needed to launch the missile. Delivery began in October 2002, and Bahrain now wants to buy an upgraded ATACM.

Economic Relations. Bahrain is attempting to diversify its economy by emphasizing banking and services. Among the GCC states, Bahrain has the lowest oil and gas reserves, estimated respectively at 210 million barrels of oil and 5.3 trillion cubic feet of gas, and the energy sector accounts for 16.5% of Bahrain's gross domestic product (GDP). At current rates of production (50,000 barrels per day), Bahrain's onshore oil reserves will be exhausted in 15 years. As of April 1996, the Saudi government has given Bahrain all revenues from the 150,000 barrels per day produced from Saudi Arabia's offshore Abu Safa field. This arrangement renders Bahrain vulnerable to Saudi pressure, such as Saudi opposition, which became public in December 2004, to Bahrain's signing an FTA with the United States. The United States buys virtually no oil from Bahrain.

On September 14, 2004, the United States and Bahrain signed a free trade agreement (FTA). Under the agreement, all bilateral trade in consumer and industrial goods will be duty free, and 98% of U.S. agricultural exports will be duty free. The proposed FTA is intended to signal U.S. support for economic reform in Bahrain and throughout the Middle East, and it is viewed as support for Bahrain's longstanding alliance.⁸

⁶ Information in this section was provided to CRS in an unclassified fact sheet prepared by the Defense Security Cooperation Agency. March 2004.

⁷ The MTCR commits member states not to transfer to non-member states missiles with a range of more than 300 km, and a payload of more than 500 kilograms. Turkey, Greece, and South Korea are the only countries to have bought ATACMs from the United States.

⁸ For more information, see CRS Report RS21846, *Proposed U.S.-Bahrain Free Trade* (continued...)

Regional Relations and Anti-Terrorism Cooperation

Iran is the regional state that most concerns Bahrain, particularly for Iran's ability to influence radical Shiite oppositionists there and out of fear that Iran might revive its pre-1970 territorial claim to Bahrain (see above). The Shia community in Bahrain is of both Arab and Persian origin, and many follow Iraq's Grand Ayatollah Ali al-Sistani. Although Bahrain has consistently blamed Iran for the internal unrest since it began in late 1994, tensions peaked on June 3, 1996, when Bahrain publicly claimed to have uncovered an Iranian plot to destabilize Bahrain, acting through a local militant Shia group called Hizbollah Bahrain-Military Wing (related to Lebanese Hizbollah, a client of Iran). Bahrain had made a similar charge in December 1981, when it accused Iran of organizing a coup by the Islamic Front for the Liberation of Bahrain (IFLB). The IFLB now operates as an opposition political movement and not a clandestine militant organization. Mohammad Khatemi, elected Iran's president in May 1997, curbed Iranian support for Shiite dissident movements in the Gulf; Iran and Bahrain normalized relations in 1999.

Arab-Israeli Issues. To a large extent, Bahrain has followed the Saudi-led Gulf state consensus on the Arab-Israeli peace process. In September 1994, the Gulf states, including Bahrain, decided to stop enforcing the so-called secondary and tertiary boycotts of Israel, which black list companies doing business with Israel, while retaining the ban on direct dealings (the so-called primary boycott). The Foreign Relations Authorization Act for FY1994/1995 (P.L. 103-236, Section 564(1)) banned U.S. arms transfers to countries that maintain the Arab boycott of Israel, including Bahrain. Successive administrations have waived the ban for Bahrain and other GCC countries on national interest grounds. During 1990-1996, Bahrain participated in the multilateral Arab-Israeli talks that addressed regional issues, and it is one of three Gulf states to have hosted a multilateral working group (a conference on the environment in October 1994). At this conference and others, Bahraini officials met privately with Israeli counterparts, but Bahrain did not follow the lead of Oman and Qatar by exchanging trade offices with Israel. In conjunction with renewed talks between Israel and the newly-elected Palestinian leader Mahmoud Abbas, Bahrain is likely to follow the lead of other Arab states in restoring the contacts with Israel that were suspended after the 2001 Palestinian intifada.

Anti-Terrorism Cooperation.⁹ State Department officials say Bahrain's cooperation to block the financing of terror groups has been excellent, in part because Bahrain is a banking hub and would not want to jeopardize that sector. According to the State Department, Bahrain has frozen at least \$18 million in terrorist-linked funds. However, in June 2004, Bahrain arrested six alleged Al Qaeda militants, but then released them for lack of evidence. They were re-arrested, but only after the U.S. military became alarmed and ordered military family dependents to return to the United States.

⁸ (...continued)

Agreement, by Martin Weiss.

⁹ Information in this section is taken from the State Department report, *Patterns of Global Terrorism: 2003*, released April 30, 2004.