

AGREEMENT BETWEEN THE GOVERNMENT OF THE KINGDOM OF BAHRAIN AND THE GOVERNMENT OF THE ISLAMIC REPUBLIC OF PAKISTAN FOR THE PROMOTION AND PROTECTION OF INVESTMENTS

The Government of the Kingdom of Bahrain and the Government of the Islamic Republic of Pakistan (hereinafter collectively referred to as the Contracting States and each referred to as a Contracting State).

DESIRING to create favourable conditions for greater economic co-operation between them and in particular for investors of one Contracting State in the territory of the other Contracting State.

RECOGNISING that encouragement and reciprocal protection under international agreements of such investments will be conducive to the stimulation of business initiatives and will increase prosperity in both the Contracting States.

HAVE AGREED as follows:

Article 1. Definitions

For the purposes of this Agreement:

1. The term 'investment' shall comprise every kind of asset invested by the Government or by a natural or juridical person of one Contracting State in the territory of the other Contracting State in accordance with the laws, regulations and administrative practices of that State. Without restricting the generality of the foregoing the term 'investment' shall include:

(a) movable and immovable property as well as any other property rights in rem such as mortgages, liens, pledges, contracts and similar rights.

(b) shares, stocks and debentures of companies or other rights or interests in such companies, loans and bonds issued by a Contracting State or any of its natural or juridical persons and returns retained for the purpose of re-investments;

(c) claims to money or to any performance having economic value associated with an investment;

(d) copyrights, trademarks, patents, industrial designs and other industrial property rights, know-how, trade secrets, trade names and goodwill;

(e) any rights conferred by law or contract and any licenses and permits pursuant to law.

(f) any alteration of the form in which assets are invested shall not affect their classification as investments, provided that such alteration is not contrary to the admission, if any, granted in respect of the assets originally invested.

2. The term 'investor' shall mean the Government of a Contracting State or any of its natural or juridical persons who invest in the territory of the other Contracting State.

3. The 'natural person' shall mean with respect to either Contracting State a natural person holding the nationality of that State in accordance with its laws.

4. The term 'juridical person' shall mean with respect to either Contracting State, any entity established in accordance with, and recognized as juridical person by the law of the State, such as public and private companies, corporations, business associations, authorities, partnerships, foundations, firms, institutions, establishments, agencies, development funds, enterprises, cooperatives and organizations or other similar entities irrespective of whether their liabilities are limited or otherwise and any entity established outside, the jurisdiction of a Contracting State as a juridical person and in which such State or any of its nationals or any juridical person established within its jurisdiction has a predominating interest.

5. The term 'returns' shall mean amounts yielded by an investment and in particular, though not exclusively, includes profits, income from debt-claims, capital gains, share dividends, royalties or fees, and payment in kind.

6. The term 'territory' means:

(i) With respect to the Kingdom of Bahrain, the territory of the Kingdom of Bahrain as well as the maritime areas, seabed and subsoil over which Bahrain exercises, in accordance with international law, sovereign rights and jurisdiction; and

(ii) With respect to the Islamic Republic of Pakistan, all land territory comprising the Federation of the Islamic Republic of Pakistan, its territorial sea and airspace above it.

7. Associated activities include the organization, control, operation, maintenance and disposal of juridical persons, branches, agencies, offices, factories or other facilities for the conduct of business making, performance and enforcement of contracts; the acquisition, use, protection and disposition of property of all kinds, including intellectual property rights; and the borrowing of funds, the purchase of foreign exchange for imports.

8. The term 'freely usable currency' means the United States Dollar, Pound Sterling, Euro, Swiss Francs, Japanese Yen or other currency that is widely used to make payment for international transactions and for which there are ready buyers in the principal exchange markets.

Article 2. Promotion and Protection of Investment

1. Each Contracting State, shall encourage and create favourable conditions for investors of the other Contracting State to make investments in its territory and, in exercise of powers conferred by its laws, regulations and administrative practices shall admit such investments and activities associated therewith.

2. Once established, investments shall at all times enjoy full protection and security, in a manner consistent with international law.

3. Each Contracting State shall at all times ensure fair and equitable treatment to the investments of investors of the other Contracting State. Each Contracting State shall ensure that the management, maintenance, use, enjoyment, acquisition or disposal of investments or rights related to investment and its associated activities in its territory of investors of the other Contracting State shall not in any way be subjected to or impaired by arbitrary, unreasonable or discriminatory measures.

4. (i) Each Contracting State shall endeavour to take the necessary measures and legislations for granting of appropriate facilities, incentives and other forms of encouragement for investments made by investors of the other Contracting State.

(ii) Investors of either Contracting State shall be entitled to apply to the competent authorities in the host State for the appropriate facilities, incentives and other forms of encouragement and the host State shall grant them all assistance, consents, approvals, licenses and authorizations to such an extent and on such terms and conditions as shall, from time to time, be determined by the laws and regulations of the host State.

5. With respect to its tax policies, each Contracting State should strive to accord fairness and equity in the treatment of investment of investors of the other Contracting State.

6. The Contracting States shall periodically consult between themselves concerning investment opportunities within the territory of each other in various sectors of the economy to determine where investments from one Contracting State into the other may be most beneficial in the interest of both Contracting States.

7. To attain the objectives of this Agreement, the Contracting States shall encourage and facilitate the formation and establishment of the appropriate joint legal entities between the investors of the Contracting States to establish, develop and execute investment projects in different economic sectors in accordance with the laws and regulations of the host State.

8. Investors of either Contracting State shall be permitted to engage top managerial personnel of their choice regardless of nationality to the extent permitted by the laws of the host State. The Contracting States shall make available all necessary facilities including the issuance of visas and permits of Stay to such managerial personnel and to the families in accordance with the laws, regulations and administrative practices of the two Contracting States.

9. Contracting States shall seek as far as practicable to avoid performance requirements as a condition of establishment, expansion or maintenance of investments, which require or enforce commitments to export goods produced or which specify that goods or services must be purchased locally, or which impose any other similar requirements.

10. Each Contracting State shall provide effective means of assessing claims and enforcing rights with respect to investment agreements, investment authorization and properties.

11. Each Contracting State shall to the extent possible make public all laws, regulations, administrative practices and procedures that pertain to or affect investments.

Article 3. Most Favoured Nation Provisions

1. Each Contracting State shall in its territory accord investments and returns of investors of the other Contracting State treatment not less favourable than that which it accords to investments and returns of its own investors or to investments and returns of investors of any third State whichever is the most favourable.
2. Each Contracting State shall in its territory accord investors of the other Contracting State, as regards management, maintenance, use, enjoyment, acquisition or disposal of their investments, or any other activity associated therewith, treatment not less favourable than that which it accords to its own investors or to investors of any third State whichever is the most favourable.

Article 4. Exceptions

The provisions of this Agreement relating to the granting of treatment not less favourable than that accorded to its own investors or the investors of any third State shall not be construed so as to oblige one Contracting State to extend to the investors of the other the benefit of any treatment, preference or privilege resulting from:

- (i) any existing or future customs union, an economic union, or free trade area or a common external tariff area or a monetary union or similar international agreement or other forms of regional or subregional cooperation arrangement to which either of the Contracting States is or may become a party; or
- (ii) the adoption of an agreement designed to lead to the formation or extension of such a union or area within a reasonable length of time; or
- (iii) any international or regional or sub-regional agreement or other arrangement relating wholly or mainly to taxation or movement of capital or any domestic legislation relating wholly or mainly to taxation.

Article 5. Compensation for Damage or Loss

1. Investors of one Contracting State whose investments in the territory of the other Contracting State suffer losses owing to international hostilities, revolution, a state of national emergency, revolt, insurrection or riot or other similar events in the territory of the latter Contracting State shall be accorded by the latter Contracting State treatment, as regards restitution, indemnification, compensation or other settlement, not less favourable than that which the latter Contracting State accords to its own investors or to investors of any third State whichever is the most favourable.

2. Without prejudice to Paragraph (1) of this Article, investors of one Contracting State who in any of the events referred to in that paragraph suffer damage or loss in the territory of the other Contracting State resulting from:

- (a) requisition of their investment or property by its forces or authorities;
- (b) destruction of their investment or property by its forces or authorities which was not caused in combat action or was not required by the necessity of the situation;

shall be accorded prompt and adequate compensation for the damage or loss sustained during the period of requisitioning on as a result of the destruction of the property, resulting payments shall be in freely usable currency and freely transferable without undue delay.

Article 6. Nationalization or Expropriation

1. (i) Investments of either Contracting State or its natural or juridical persons shall not be subject to sequestration or confiscation save with the order of a competent court issued in accordance with laws in force;

(ii) Investments of either Contracting State or its natural or juridical persons shall not be nationalized expropriated or subjected to any other measure the effects of which would be tantamount to nationalization or expropriation in the territory of the other Contracting State except for the public purpose and against prompt, adequate and effective compensation and on condition that such measures are taken on a non-discriminatory basis and in accordance with due process of law;

(iii) Such Compensation shall be computed on the basis of the fair market value of the investment immediately prior to the point of time when the decision for nationalization or expropriation was announced or become publicly known and shall be determined in accordance with recognized principles of valuation such as market value, where the market value cannot be readily ascertained, the compensation shall be determined on equitable principles taking into account, inter alia, the capital

invested, depreciation capital already repatriated, replacement value, goodwill and other relevant factors. In the event that payment or compensation is delayed, such compensation shall be paid in an amount which would put the investor in a position no less favourable than the position in which he would have been had the compensation been paid immediately on the date of expropriation or nationalization. To achieve this goal the compensation shall include an appropriate daily rate of compensation at a commercially reasonable rate as agreed upon by both States or at such rate as prescribed by law, for the currency in which the investment is denominated from the date of nationalization or expropriation until the date of payment;

(iv) Where a Contracting State nationalizes or expropriates the investment of a juridical person which is established or licensed under the law in force in its territory and in which the other Contracting State or any of its investors owns shares, stocks, debentures or other rights of interest, it shall ensure that prompt, adequate and effective compensation is received and allowed to be repatriated.

Such compensation shall be determined and paid in accordance with the provisions of Paragraph (i) (iii) of this Article.

2. The provisions of Paragraph (i) of this Article shall also apply to the current returns from an investment as well as, in the event of liquidation, to the proceeds from the liquidation.

Article 7. Repatriation of Capital and Returns

1. Each Contracting State shall guarantee without undue delay the transfer out of its territory in any freely usable currency of:

(a) the net profits, dividends, royalties, technical assistance and technical service fees, income from debt-claims and other returns, accruing from any investment by an investor of the other Contracting State;

(b) the proceeds accruing from the sale, total or partial liquidation of any investment made by an investor of the other Contracting State;

(c) funds in repayment of borrowings;

(d) the earnings of nationals of the other Contracting State who are allowed to work in connection with an investment in its territory;

(e) amounts spent for the management of the investment in the territory of the Contracting State or a third State; and

(f) additional funds necessary for the maintenance of the investment.

2. Without restricting the generality of Article 3 of this Agreement the Contracting States undertake to accord to transfers referred to in Paragraph (1) of the Article a treatment as favourable as that accorded to transfers originating from investments made by investors of any third State.

3. The exchange rates applicable to such transfers in Paragraph (1) of the Article shall be the rate of exchange prevailing at the time of remittance.

4. Such transfer as above shall, however, be subject to such reasonable regulatory procedures as shall, from time to time, be in force in the host State and shall likewise be subject to the right of the government of the host State to impose reasonable restrictions for temporary periods not exceeding three months to meet situations of fundamental economic disequilibrium provided that at least 50 percent of such transfers are allowed to be repatriated during such periods.

Article 8. Subrogation

1. If a Contracting State (or its designated Agency) makes payment to any of its investors under an indemnity or guarantee it has granted in respect of an investment or any part thereof in the territory of the host State, or has otherwise become subrogated to any of rights of such investors with respect to such investment, the host State shall recognize:

(a) the right of the other Contracting State (or its designated Agency) arising from the assignment, indemnity or other subrogation, whether under law or pursuant to a legal transaction; and

(b) that the other Contracting State (or its designated Agency) is entitled by virtue of subrogation to enforce such right.

2. If such other Contracting State acquires any amounts in such manner as above, it shall be accorded in respect thereof treatment not less favourable than that accorded to the funds of investors of the host State or any third State, whichever is most favourable, deriving from investments or associated activities similar to those in which the party indemnified was

engaged.

3. This Article shall, notwithstanding the provision of Article 1 of this Agreement, apply only to investments made after the entry into force of this Agreement where the investment has received the prior consent of the Contracting Party in whose territory it is made.

Article 9. Settlement of Investment Disputes

1. Each Contracting State consents to submit any disputes that may arise out of or in relation to any investment or associated activities made in its territory by an investor of the other Contracting State for settlement in accordance with the provisions of this Article.

2. Each Contracting State consents to submit to the International Centre for the Settlement of Investment Disputes (hereinafter referred to as "the Centre") for settlement of Investment Disputes between States and Nationals of other States opened for signature at Washington on 18th March, 1965 (hereinafter referred to as the "the Convention") any dispute arising between that Contracting State and an investor of the other Contracting State which involves an obligation entered into by that Contracting State with the investor of the other Contracting State regarding an investment or associated activities by such investor; or created by this Agreement with respect to an investment or associated activities by such investor.

3. If a juridical person which is incorporated or constituted under the law in force in the territory of one Contracting State and in which before such a dispute arises the majority of shares are owned by investors of the other Contracting State shall in accordance with Article 25 (2) (b) of the Convention be treated for the purposes of the Convention as an investor of the other Contracting State.

4. (i) If any dispute of the type referred in paragraph 2 should arise, the Contracting State and the investor concerned shall seek to resolve the dispute through consultation and negotiation. If the dispute cannot thus be resolved within three (3) months, then if the investor concerned also consents in writing to submit the dispute to the centre for settlement by conciliation or arbitration under the Convention, either Contracting State to the dispute may institute proceedings by addressing a request to that effect to the Secretary General of the Centre as set forth in Article 28 and 36 of the Convention, provided that the investor concerned has not submitted the dispute to the courts of justice or administrative tribunals or agencies of competent jurisdiction of the Contracting State that is party to the dispute.

(ii) In the event of disagreement as to whether conciliation or arbitration is the more appropriate procedure the opinion of the investor concerned shall prevail.

The Contracting State which is a party to the dispute shall not raise as an objection, defence, or right of set-off at any stage of the proceeding or enforcement of an award the fact that the investor which is the other party to the dispute has received pursuant to an insurance or guarantee contract an indemnity or other compensation for all or part of its losses or damages.

5. In the event that the provisions of the Convention are not applicable the conciliation and arbitration shall take place in accordance with the United Nations Commission on International Trade Law Conciliation Rules, 1980 and Arbitration Rules, 1976.

6. Neither Contracting State shall pursue through diplomatic channels any dispute referred to the Centre unless:

(i) the Secretary General of the Centre, or a conciliation commission or an arbitral tribunal constituted by it, decided that the dispute is not within the jurisdiction of the Centre; or

(ii) the other Contracting State should fail to abide by or to comply with any award rendered by an arbitral tribunal.

7. Where an investment agreement executed between the investor of a Contracting State and the other Contracting State provides for any arbitration or dispute resolution procedure, then any dispute which arises or occurs between the parties thereto in relation to anything or matter arising out of or in connection with that investment agreement shall be referred to and resolved by the arbitration or dispute resolution clause provided for in that investment agreement. Provided that this paragraph shall not apply where any dispute between the parties to the investment agreement is also capable of amounting to a breach of this Agreement.

Article 10. Settlement of Disputes between Contracting States

1. Should any dispute arise concerning the application or interpretation of the provisions of the present Agreement, the Contracting States shall try to settle the same by negotiations.

2. If the dispute cannot be so settled it shall, upon the request of either Contracting State, be submitted to an ad hoc Arbitral Tribunal in accordance with the provisions of Article (3).

3. The Arbitral Tribunal shall be constituted in the following way. Within two months of the receipt of the request for arbitration, each Contracting State shall appoint one arbitrator. The two arbitrators shall then select a national of a third State who, on the approval by the two Contracting States, shall act as Chairman of the Tribunal (hereinafter referred to as the Chairman). The Chairman shall be appointed within two months from the date of appointment of the other two arbitrators.

4. If within the period specified in Paragraph (3) of the Article either Contracting State shall not have appointed its arbitrator or the two arbitrators shall not have agreed on the Chairman, a request may be made to the President of the International Court of Justice to make the appointment. If he happens to be a national of either Contracting State or if he is otherwise prevented from discharging the said function, the Vice-President shall be invited to make the appointment. If the Vice-President also happens to be a national of either Contracting State or is prevented from discharging the said function the member of the International Court of Justice next in seniority who is not a national of either Contracting State shall be invited to make the appointment.

5. The Arbitral Tribunal shall reach its decision by a majority of votes. Such decision shall be binding. Each Contracting State shall bear the cost of its own arbitrator and its counsel in the arbitral proceeding. The cost of the Chairman and the remaining costs shall be borne in equal part by both Contracting States. The Arbitral Tribunal shall determine its own procedure.

Article 11. Application to Investments

This Agreement shall apply to investments made in the territory of either Contracting State in accordance with its legislation or rules or regulations by investors of the other Contracting State prior to as well as after the entry into force of this Agreement. However, the Agreement shall not apply to disputes that have arisen before its entry into force.

Article 12. Relation between Governments

The provisions of the present Agreement shall apply irrespective of the existence of diplomatic or consular relations between the Contracting States.

Article 13. Application of other Rules and Special Commitments

Where a matter is governed simultaneously both by the Agreement and by other agreements to which both the Contracting States are parties or general principles of law commonly recognized by both Contracting States or domestic law of the host State, nothing in this Agreement shall prevent either Contracting State or any of its investors who own investments in the territory of the other Contracting State from taking advantage of whichever rules are the more favourable to their cases.

Article 14. Entry Into Force

This Agreement shall enter into force thirty (30) days after the latter date on which either Contracting State notifies the other that its constitutional requirements for the entry into force of this Agreement have been fulfilled.

Article 15. Duration and Termination

1. (a) This Agreement is signed for a duration of fifteen (15) years and shall continue in force thereafter for an unlimited period unless denounced in writing by either Contracting State giving 12 months notice.

(b) The Contracting States may at any time either before the completion of its original duration or after the expiry of the said duration terminate this Agreement with 12 months written notice.

2. In respect of investments made prior to the date when the notice of termination under Paragraph 1(a) or 1(b) becomes effective, the provisions of this Agreement shall continue to be effective for a period of ten (10) years from date of termination of this Agreement.

In WITNESS WHEREOF the undersigned duly authorized thereto by their respective Governments have signed this

Agreement.

Done at Islamabad on this 18 day of March 2014 in duplicate in the Arabic and English languages, the two texts being equally authentic. In the case of any divergence of interpretation the English text shall prevail.

FOR THE GOVERNMENT OF THE KINGDOM OF BAHRAIN

FOR THE GOVERNMENT OF THE ISLAMIC REPUBLIC OF PAKISTAN