

# **Agreement between the Government of the Kingdom of Bahrain and the Government of the Republic of Lebanon on the Mutual Promotion and Protection of Investments**

The Government of the Kingdom of Bahrain and the Government of the Republic of Lebanon referred to hereinafter as the Contracting Parties, wishing to strengthen economic cooperation in the mutual benefit of both countries and determined to create and maintain appropriate conditions for investment by investors of one Contracting Party in the territory of the other Contracting Party;

Recognizing that the encouragement and mutual protection of such investments in accordance with a bilateral agreement that will stimulate economic and investment activity and promote and promote prosperity in the two countries;

Have agreed as follows:

## **Article 1. Definitions**

1. For the purposes of this Agreement the terms "investors" includes:

(a) Natural persons who, in accordance with the law of that Contracting Party, are considered to be nationals of the Contracting Party;

(b) The Government of that Contracting State and its financial institutions and institutions;

(c) Legal persons, including corporations, entities, enterprises and other institutions established or duly established under the laws of that Contracting Party and situated in the territory of that Contracting Party itself;

The provisions of this subparagraph shall apply to holding companies or foreign companies registered with either Contracting Party.

2. The term "investments" includes all types of assets (assets), including but not limited to:

(a) Movable and immovable property, as well as any other rights in kind, such as mortgages, custody rights and guarantees.

(b) Shares in companies and other types of shares in companies.

(c) Intellectual property rights, such as copyrights, patents, industrial designs or models, trademarks or service marks, distinctive marks, technical processes, technical expertise, goodwill and other similar rights recognized by the laws of the Contracting Parties;

(d) Business privileges granted under common law, including concessions for prospecting, extraction or exploitation of natural resources, as well as all other rights conferred by law or under a contract or in accordance with a decision of the Authority in accordance with the law.

Any change in the form in which the asset is invested or re-invested in it should not affect its investment.

3. The term proceeds means the amounts given by the investment and includes, but is not limited to, profits, dividends, interest, capital gains, dividends, receipts for administrative work, technical assistance or other charges, regardless of the form in which the return is paid.

4. The term "territories of a Contracting Party" means "Kingdom of Bahrain" and when used in a geographical sense means the territory of the Kingdom of Bahrain, as well as the maritime areas, the seabed and the land under which Bahrain exercises sovereignty and jurisdiction in accordance with international law. "Republic of Lebanon" includes the territorial sea, as well as the special economic zone to which the Lebanese Republic exercises sovereignty, sovereign rights and competence under its domestic law and international law in relation to the prospecting, exploitation and exploitation of

natural, biological and mineral resources in sea water, seabed and subsoil.

## **Article 2. Promotion and Protection of Investments**

1. Each Contracting Party shall, to the extent possible, encourage investment in its territory by investors of the other Contracting Party and accept such investments in accordance with its laws and regulations.
2. Where a Contracting Party has accepted an investment in its territory, it shall, in accordance with its laws and regulations, grant the necessary licenses for such investment, including authorizations, for the use of senior administrative and technical personnel of their choice, irrespective of nationality.
3. Each Contracting Party shall, within its territory, protect the investments employed in accordance with its laws and regulations by investors of the other Contracting Party and shall not be prejudiced through illegal or discriminatory procedures for the management, continuation, use or exercise of the right; extension, sale or liquidation.

## **Article 3. National and Most-favoured-nation Treatment Provisions**

1. Each Contracting Party shall ensure fair and equitable treatment within its territory of the investments of investors of the other Contracting Party. Such treatment shall not be less favourable than that accorded by each Contracting Party to the investments made in its territory by its investors or by any Contracting Party granted to the investments made within its territory by investors of any third country if such transaction is finally more favourable.
2. The MFN treatment shall not be construed so as to oblige a Contracting Party to grant to investors and investments of the other Contracting Party the advantages resulting from any existing or future customs or economic union, free trade area or regional economic enterprise which may or may any Contracting Party shall become a member thereof. Such treatment shall not relate to any advantage accorded by either Contracting Party to investors of a third country under an agreement on double taxation or other agreements on a reciprocal basis on matters of taxation.
3. However, the provisions of paragraph (1) of this Article shall not apply to the treatment accorded to investors from Arab League member countries with respect to property ownership except to the extent permitted by local laws and regulations.

## **Article 4. Compensation of Losses**

1. Investors of any Contracting Party whose investments are in the territory of the other Contracting Party shall be liable to losses resulting from war or other armed conflict, revolution, national emergency, uprising, insurrection or disturbances in the territory of the Contracting Party. Second treatment shall not be less favourable than the treatment accorded to investors or those granted to investors of any other State with respect to the restitution of rights to the owners or a substitute for a potential loss, compensation or other adjustment, while ensuring the free transfer of the amounts of such compensation.
2. Without prejudice to the provisions of paragraph (1) above in this Article, the rights of investors of either Contracting Party shall be refunded or compensated in fair and sufficient compensation with the freedom to transfer the amounts of such compensation in the event of any loss in any of the cases referred to in that paragraph, in the territory of the other Contracting Party, arising from:
  - (a) The confiscation of their property by the forces or authorities of the other Party;
  - (b) The destruction of their property by the forces or authorities of the other Contracting Party, if such destruction was not in a combat or necessary conflict, and shall be returned to them or given fair and adequate compensation, while ensuring the free transfer of the amounts resulting from such compensation.

## **Article 5. Expropriation (nationalization)**

1. Investments of investors belonging to either Contracting Party shall enjoy the protection and guarantee of security in the territory of the other Contracting Party.
2. Neither Contracting Party shall take, directly or indirectly, expropriation or nationalization proceedings or take any other measures of the same character or effect on the investments of the investors of the other Contracting Party, unless such actions are taken for the benefit as provided for by law, on a non-discriminatory basis, and by legal means, and provided that arrangements are made for the payment of effective and appropriate compensation, in accordance with the applicable public law without discrimination of any kind. Such compensation shall be equivalent to the value of the expropriated

investment immediately prior to the date on which the expropriation or nationalization or similar or actual action of the expropriation became known to the public. Such compensation must be paid without delay and bear the usual bank interest up to the time of payment, and should be physically attainable and freely transferable. Appropriate precautions must be taken at or before the time of expropriation, nationalization or similar procedure for determining and paying such compensation. The legality of any expropriation, nationalization or similar procedure is subject to the same and the amount of compensation is subject to review by legal means.

3. The provisions of paragraph (2) of this Article shall also apply where a Contracting Party expropriates the assets of a company established under the law in force in any part of its territory in which the investors own shares of the other Contracting Party.

## **Article 6. Free Transfer of Investment and Investment Proceeds**

1. Each Contracting Party which has invested in its territory investments by investors of the other Contracting Party shall grant such investors the free transfer of payments relating to such investments, including but not limited to the following:

- (a) Proceeds, in accordance with paragraph 3 of Article 1 of this Convention.
- (b) Amounts relating to loans incurred or other contractual obligations made for investment;
- (c) The aggregate proceeds from the total or partial sale of an investment or from the transfer or liquidation of an investment.
- (d) Other gains and compensation received by nationals of the other Contracting Party who are permitted to work in respect of an investment exercised in the territory of the other Contracting Party.
- (e) Capital and additional amounts allocated for the continuation or increase of investment.
- (f) Compensation paid under Articles 4 and 5 of this Agreement.

2. The host Contracting Party shall allow the investors of the other Party to deal with the foreign exchange market in a non-discriminatory manner and to purchase the foreign currency necessary for remittances under this Article at the market exchange rate prevailing on the date of transfer.

3. The Contracting Parties undertake to facilitate the necessary procedures for the operation of such transfers without delay in accordance with the practices of the International Financial Centres.

Both Contracting Parties shall undertake to undertake the formalities required to obtain and effectively transfer a foreign currency abroad within a period of three months. Furthermore, the Contracting Parties shall pledge to grant the transfers referred to in this Article a treatment no less favourable than that accorded to transfers derived from investments employed by investors of any third country.

## **Article 7. Subrogation**

Any Contracting Party shall indemnify its Investor if any of the Contracting Parties or its designated agency pays an investor to any of its investors under any financial security against non-commercial risks which it has granted in respect of an investment in the territory of the other Contracting Party, without prejudice to the rights of the Contracting Party mentioned first under Article 9 of this Convention, to grant the waiver, whether by law or in accordance with legal treatment, of any proprietary right of that investor to the said Contracting Party or its designated agency. The Contracting Party shall also finally approve the first-mentioned Contracting Party's (Investor's) Party with respect to any such right or requirement that such Contracting Party shall have the right to confirm the amount of the right itself as an advance in the ownership of that right. The other Contracting Party shall have the right to set off between the taxes and other public expenses due and payable by the investor and what is required of him.

## **Article 8. Settlement of Disputes between a Contracting Party and an Investor of the other Contracting Party**

1. For the purpose of resolving disputes concerning investments between a Contracting Party and an investor of the other Contracting Party, consultations between the parties concerned shall be conducted with a view to resolving the issue as amicably as possible.

2. If such consultations do not lead to a solution within six months from the date of the request for a written settlement, the

investor may, at his option, submit the dispute to:

(a) The competent court of the Contracting Party that has employed the investment in its territory; or

(b) In accordance with the provisions of the Special Chapter on Dispute Settlement of the Unified Convention for the Investment of Arab Capital in the Arab States of 1980; or

(c) The International Centre for Settlement of Disputes over Investments On investments between States and nationals of other States, which were opened for signature in Washington, DC, on 18 March 1965, in the event that both Contracting Parties become parties to this Convention, or

(d) An arbitral tribunal established for this purpose in accordance with the Rules of Arbitration of the United Nations Commission on International Trade unless otherwise agreed by the parties to the dispute.

3. The arbitral tribunal shall decide the subject matter of the dispute in accordance with the provisions of this Convention and the rules and principles of international law in force. The arbitral awards shall be final and binding on both parties. Each Contracting Party shall implement without delay any such decision, and such a decision shall be applied in accordance with domestic law.

4. The Contracting Party which is a party to the dispute shall at no time, during the legal proceedings to settle the dispute over the investment, insist on its immunity or the fact that the investor has received compensation under an insurance contract covering the damage or loss suffered in whole or in part.

## **Article 9. Settlement of Disputes between the Contracting Parties**

1. Disputes between the Contracting Parties concerning the interpretation or application of the provisions of this Agreement shall be settled through diplomatic channels.

2. If both Contracting Parties are unable to reach an agreement within six months of the commencement of the negotiations, the dispute shall, at the request of either Contracting Party, be submitted to an arbitral tribunal of three members. Each Contracting Party shall appoint one arbitrator, and such arbitrators shall appoint a Chairman of the arbitral tribunal to be a national of a third country.

3. If a Contracting Party has not appointed an arbitrator and has not complied with the invitation of the other Contracting Party to make such an appointment within two months, such arbitrator shall be appointed, at the request of that Contracting Party, by the President of the International Court of Justice.

4. If both arbitrators are unable to reach an agreement on the selection of the Chairman of the Arbitral Tribunal within two months after their appointment, such President shall be appointed, at the request of either Contracting Party, by the President of the International Court of Justice.

5. If the President of the International Court of Justice, in the cases mentioned in paragraphs (iii) and (iv) Of this article, from the accomplishment of the said assignment or if he is a national of either Contracting Party, such appointment shall be made by the Vice-President of the International Court of Justice. If the latter is prevented from carrying out the task or if he is a national of either Contracting Party, that appointment will be carried out by a judge of the Court of Seniority who is not a national of either Contracting Party.

6. The arbitral tribunal shall reach its decisions by a majority of the votes.

7. The Arbitral Tribunal shall issue its decisions on the basis of respect for the law and the provisions of this Agreement on other agreements in force between the Contracting Parties and on the basis of generally accepted principles of international law.

8. Subject to other provisions agreed by the Contracting Parties, the arbitral tribunal shall determine its legal procedures.

9. Each Contracting Party shall bear the expenses of the arbitrator appointed by him and the expenses of his representation in the arbitral proceedings. The Contracting Parties shall jointly bear the expenses of the Chairman of the Arbitral Tribunal and the remaining expenses equally and the arbitral tribunal may establish a different system of expenditure.

10. Decisions of the arbitral tribunal shall be final and binding on each Contracting Party.

## **Article 10. Application of other Provisions**

1. If the legislation of either Contracting Party or the obligations under existing international law or subsequently to be

determined between the Contracting Parties in addition to this Agreement contains an arrangement, whether public or specific, that gives investments by investors Of the other Contracting Party shall have the right to a more favourable treatment than is provided for in this Convention, the primary application of that legislation shall be to the extent that it is more favourable.

2. Each Contracting Party shall take into account any other obligation it has assumed in respect of investments made in its territory by investors of the other Contracting Party.

### **Article 11. Application to Investments**

This Agreement shall also apply to investments made in the territory of a Contracting Party in accordance with its laws and regulations by investors of the other Contracting Party prior to the entry into force of this Agreement. However, this Convention does not apply to disputes that have arisen before they take effect.

### **Article 12. Relations between the Two Governments**

This Convention shall be in force irrespective of whether or not there are diplomatic or consular relations between the Contracting Parties.

### **Article 13. Entry Into Force**

Each Contracting State shall notify the other Contracting State of the completion of the constitutional and legal procedures necessary for the ratification and implementation of the Convention. The Convention shall enter into force thirty days after the date of receipt of the last notification.

### **Article 14. Duration and Vigour of the Agreement**

This Agreement shall remain in force for a period of ten years and shall remain in force thereafter unless one of the Contracting Parties informs the other in writing and in diplomatic ways of its desire to terminate the Agreement one year prior to the expiry date. The provisions of the Agreement relating to such investments shall continue for ten years after the date of termination of the Agreement, without prejudice to the right to apply the provisions of general international law.

In witness whereof, the undersigned, duly authorized thereto by their respective Governments, have signed this Convention

Done on two original copies in Beirut on 9 Jumada II 1424 H corresponding to 7 August 2003 in Arabic, and each copy is considered original.

For the Government of the Republic of Lebanon

Fuad Siniora

Minister of Finance

For the Government of the Kingdom of Bahrain

Abdullah bin Hassan Saif

Minister of Finance and National Economy