

AGREEMENT BETWEEN JAPAN AND THE KINGDOM OF BAHRAIN FOR THE RECIPROCAL PROMOTION AND PROTECTION OF INVESTMENT

The Government of Japan and the Government of the Kingdom of Bahrain,

Desiring to further promote investment in order to strengthen the economic relationship between Japan and the Kingdom of Bahrain (hereinafter referred to as "the Contracting Parties");

Intending to further create stable, equitable, favourable and transparent conditions for greater investment by investors of a Contracting Party in the Area of the other Contracting Party;

Recognising that these objectives can be achieved without relaxing health, safety and environmental measures of general application;

Recognising the importance of the cooperative relationship between labour and management in promoting investment between the Contracting Parties in line with internationally accepted labour standards; and

Convinced that this Agreement will contribute to the further development of the overall relationship between the Contracting Parties;

Have agreed as follows:

Article 1. Definitions

For the purposes of this Agreement:

(a) the term "investment" means every kind of asset owned or controlled, directly or indirectly, by an investor, including:

(i) an enterprise and a branch of an enterprise;

(ii) shares, stocks or other forms of equity participation in an enterprise, including rights derived therefrom;

(iii) bonds, debentures, loans and other forms of debt, including rights derived therefrom;

(iv) futures, options and other derivatives;

(v) rights under contracts, including turnkey, construction, management, production or revenue-sharing contracts;

(vi) claims to money and to any performance under contract having a financial value;

(vii) intellectual property rights, including copyrights and related rights, patent rights and rights relating to utility models, trademarks, industrial designs, layout- designs of integrated circuits, new varieties of plants, trade names, indications of source or geographical indications and undisclosed information;

(viii) rights conferred pursuant to laws and regulations or contracts such as concessions, licences, authorisations and permits, including those for the exploration and exploitation of natural resources; and

(ix) any other movable and immovable property, and any related property rights, such as leases, mortgages, liens and pledges;

An investment also includes the amounts yielded by an investment, in particular, profit, income from debt-claims, capital gains, dividends, royalties and fees. A change in the form in which assets are invested does not affect their character as an investment.

(b) the term "investor of a Contracting Party" means:

(i) a natural person having the nationality of that Contracting Party in accordance with its applicable laws and regulations; or

(ii) an enterprise of that Contracting Party,

that seeks to make, is making or has made an investment in the Area of the other Contracting Party;

(c) the term "enterprise" means any legal person or any other entity duly constituted or organised under the applicable laws and regulations, whether or not for profit, and whether private or government owned or controlled, including any corporation, trust, partnership, sole proprietorship, joint venture, association, organisation or company;

(d) the term "enterprise of a Contracting Party" means an enterprise duly constituted or organised under the applicable laws and regulations of that Contracting Party;

(e) an enterprise is:

(i) "owned" by an investor if more than fifty percent of the equity interest in it is owned by the investor; and

(ii) "controlled" by an investor if the investor has the power to name a majority of its directors or otherwise to legally direct its actions;

(f) the term "investment activities" means operation, management, maintenance, use, enjoyment and sale or other disposal of investments;

(g) the term "Area" means:

(i) with respect to Japan, the territory of Japan, and the exclusive economic zone and the continental shelf with respect to which Japan exercises sovereign rights or jurisdiction in accordance with international law; and

(ii) 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 the Kingdom of Bahrain exercises, in accordance with international law, sovereign rights or jurisdiction;

(h) the term "freely usable currency" means freely usable currency as defined under the Articles of Agreement of the International Monetary Fund;

(i) the term "WTO Agreement" means the Marrakesh Agreement Establishing the World Trade Organization, done at Marrakesh, April 15, 1994; and

(j) the term "TRIPS Agreement" means the Agreement on Trade-Related Aspects of Intellectual Property Rights in Annex 1C to the WTO Agreement.

Article 2. Promotion and Admission of Investment

1. Each Contracting Party shall encourage and create favourable conditions for investors of the other Contracting Party to make investments in its Area.

2. Each Contracting Party shall, subject to its rights to exercise powers in accordance with its applicable laws and regulations, including those with regard to foreign ownership and control, admit investment of investors of the other Contracting Party.

Article 3. National Treatment

1. Each Contracting Party shall in its Area accord to investors of the other Contracting Party and to their investments treatment no less favourable than the treatment it accords in like circumstances to its own investors and to their investments with respect to investment activities.

2. Paragraph 1 shall not be construed to prevent a Contracting Party from adopting or maintaining a measure that prescribes special formalities in connection with investment activities of investors of the other Contracting Party in its Area, provided that such special formalities do not impair the substance of the rights of such investors under this Agreement.

Article 4. Most-Favoured-Nation Treatment

1. Each Contracting Party shall in its Area accord to investors of the other Contracting Party and to their investments treatment no less favourable than the treatment it accords in like circumstances to investors of a non- Contracting Party and to their investments with respect to investment activities.

2. Paragraph 1 shall not be construed so as to oblige a Contracting Party to extend to investors of the other Contracting Party the benefit of any treatment, preference or privilege resulting from any existing or future free trade area, customs union, economic union, or other form of regional agreement, to which the former Contracting Party is a party. For greater certainty, "existing" means being in effect on the date of entry into force of this Agreement.

3. For greater certainty, the treatment referred to in paragraph 1 does not encompass international dispute settlement procedures or mechanisms under any international agreement.

Article 5. General Treatment

1. Each Contracting Party shall in its Area accord to investments of investors of the other Contracting Party treatment in accordance with customary international law, including fair and equitable treatment and full protection and security.

2. Neither Contracting Party shall, within its Area, in any way impair investment activities of investors of the other Contracting Party by arbitrary measures.

Article 6. Access to the Courts of Justice

Each Contracting Party shall in its Area accord to investors of the other Contracting Party treatment no less favourable than the treatment which it accords in like circumstances to its own investors or to investors of a non-Contracting Party with respect to access to the courts of justice and administrative tribunals and agencies in all degrees of jurisdiction, both in pursuit and in defence of such investors' rights.

Article 7. Prohibition of Performance Requirements

Neither Contracting Party shall take any measure which is inconsistent with the obligations of the Contracting Parties under Article 2 of the Agreement on Trade-Related Investment Measures in Annex 1A to the WTO Agreement.

Article 8. Transparency

1. Each Contracting Party shall promptly publish, or otherwise make publicly available, its laws, regulations, administrative procedures and administrative rulings and judicial decisions of general application as well as international agreements which pertain to any matters covered by this Agreement.

2. Each Contracting Party shall make publicly available the names and addresses of the competent authorities responsible for laws, regulations, administrative procedures and administrative rulings, referred to in paragraph 1.

3. Each Contracting Party shall, upon request by the other Contracting Party, promptly respond to specific questions and provide that other Contracting Party with information on matters set out in paragraph 1.

4. Paragraphs 1 and 3 shall not be construed so as to oblige either Contracting Party to disclose confidential information, the disclosure of which would impede law enforcement or otherwise be contrary to the public interest, or which would prejudice privacy or legitimate commercial interests.

Article 9. Measures Against Corruption

Each Contracting Party shall ensure that measures and efforts are undertaken to prevent and combat corruption regarding matters covered by this Agreement in accordance with its laws and regulations.

Article 10. Entry, Sojourn and Residence of Investors

Each Contracting Party shall, subject to its applicable laws and regulations including those on national security relating to the entry, sojourn and residence, permit a natural person having the nationality of the other Contracting Party and personnel employed by, and an executive, a manager and a member of the board of directors of, an enterprise of the other Contracting Party to enter the territory of the former Contracting Party and remain therein for the purpose of investment activities.

Article 11. Expropriation and Compensation

1. Neither Contracting Party shall expropriate or nationalise an investment in its Area of an investor of the other Contracting

Party or take any measure equivalent to expropriation or nationalisation (hereinafter referred to as "expropriation") except:

- (a) for a public purpose;
- (b) in a non-discriminatory manner;
- (c) upon payment of prompt, adequate and effective compensation pursuant to paragraphs 2 through 5; and
- (d) in accordance with due process of law.

2. The compensation shall be equivalent to the fair market value of the expropriated investments at the time when the expropriation was publicly announced or when the expropriation occurred, whichever is the earlier. The fair market value shall not reflect any change in value occurring because the expropriation had become publicly known earlier.

3. The compensation shall be paid without delay, shall include financial cost at a commercially reasonable rate, taking into account the length of time until the time of payment, and shall be borne by the expropriating Contracting Party.

Note: For the purposes of this Agreement, the term "financial cost" refers to an extra amount of money which is accrued, in accordance with international banking practice, due to the delayed payment.

4. If a Contracting Party elects to pay in a currency other than a freely usable currency, the compensation paid shall be no less than the sum of the following converted into the currency of payment at the market rate of exchange prevailing on the date of payment:

- (a) the fair market value on the date of expropriation, converted into a freely usable currency at the market rate of exchange prevailing on that date; and
- (b) financial cost, at a commercially reasonable rate for that freely usable currency, accrued from the date of expropriation until the date of payment.

5. Without prejudice to the provisions of Article 16, the investors affected by expropriation shall have a right of access to the courts of justice or administrative tribunals or agencies of the Contracting Party making the expropriation to seek a prompt review of the case of the investors and the amount of compensation in accordance with the principles set out in this Article.

6. This Article does not apply to the issuance of compulsory licences granted in relation to intellectual property rights in accordance with the TRIPS Agreement, or to the revocation, limitation or creation of intellectual property rights, to the extent that such issuance, revocation, limitation or creation is consistent with the TRIPS Agreement.

Article 12. Protection from Strife

1. Each Contracting Party shall accord to investors of the other Contracting Party that have suffered loss or damage relating to their investments in the Area of the former Contracting Party due to armed conflict or a state of emergency such as revolution, insurrection, civil disturbance or any other similar event in the Area of that former Contracting Party, treatment, as regards restitution, indemnification, compensation or any other settlement, that is no less favourable than that which it accords to its own investors or to investors of a non-Contracting Party, whichever is more favourable to the investors of the other Contracting Party.

2. Any payment as a means of settlement referred to in paragraph 1 shall be effectively realisable, freely transferable and freely convertible at the market exchange rate prevailing on the date of payment into the currency of the Contracting Party of the investors concerned or into freely usable currencies.

3. Nothing in paragraph 2 of Article 18 shall derogate from the obligation of a Contracting Party under paragraph 1.

Article 13. Subrogation

If a Contracting Party or its designated agency makes a payment to any investor of that Contracting Party under an indemnity, guarantee or insurance contract, pertaining to an investment of such investor in the Area of the other Contracting Party, the latter Contracting Party shall recognise the assignment to the former Contracting Party or its designated agency of any right or claim of such investor on account of which such payment is made and shall recognise the right of the former Contracting Party or its designated agency to exercise by virtue of subrogation any such right or claim to the same extent as the original right or claim of the investor. As regards payment to be made to that former Contracting Party or its designated agency by virtue of such assignment of right or claim and the transfer of such payment, the provisions of Articles 11, 12 and 14 shall apply mutatis mutandis.

Article 14. Transfers

1. Each Contracting Party shall allow all transfers relating to investments in its Area of an investor of the other Contracting Party to be made freely into and out of its Area without delay. Such transfers shall include, in particular, though not exclusively:

- (a) the initial capital and additional amounts to maintain or increase investments;
- (b) profits, income from debt-claims, capital gains, dividends, royalties, fees or other current incomes accruing from investments;
- (c) payments made under a contract including loan payments in connection with investments;
- (d) proceeds of the total or partial sale or liquidation of investments;
- (e) earnings and remuneration of personnel from abroad engaged in activities in connection with investments in the Area of the former Contracting Party;
- (f) payments made in accordance with Articles 11 and 12; and
- (g) payments arising out of the settlement of a dispute under Article 16.

2. Each Contracting Party shall allow transfers referred to in paragraph 1 to be made without delay in freely usable currencies at the market exchange rate prevailing on the date of the transfer.

3. Notwithstanding paragraphs 1 and 2, a Contracting Party may delay or prevent a transfer through the equitable, non-discriminatory and good-faith application of its laws and regulations relating to:

- (a) bankruptcy, insolvency or the protection of the rights of creditors;
- (b) issuing, trading or dealing in securities, futures, options or derivatives;
- (c) criminal or penal offences;
- (d) reporting or record keeping of transfers of currency or other monetary instruments when necessary to assist law enforcement or financial regulatory authorities; or
- (e) ensuring compliance with orders or judgments in judicial or administrative proceedings.

Article 15. Settlement of Disputes between the Contracting Parties

1. Each Contracting Party shall accord sympathetic consideration to, and shall afford adequate opportunity for consultation regarding, such representations as the other Contracting Party may make with respect to any matter affecting the implementation of this Agreement.

2. Any dispute between the Contracting Parties as to the interpretation and application of this Agreement, not satisfactorily adjusted by diplomacy within six months after the request for consultation referred to in paragraph 1, shall be referred for decision to an arbitration board. Such arbitration board shall be composed of three arbitrators, with each Contracting Party appointing one arbitrator within a period of sixty days from the date of receipt by either Contracting Party from the other Contracting Party of a note requesting arbitration of the dispute, and the third arbitrator to be agreed upon as President by the two arbitrators so chosen within a further period of sixty days, provided that the third arbitrator shall not be a national of either Contracting Party.

3. If the third arbitrator is not agreed upon between the arbitrators appointed by each Contracting Party within the further period of sixty days referred to in paragraph 2, the Contracting Parties shall request the Secretary-General of the Permanent Court of Arbitration at The Hague to appoint the third arbitrator who shall not be a national of either Contracting Party. If the Secretary-General is a national of either Contracting Party or if he or she is otherwise prevented from discharging the said function, the Deputy Secretary-General of the Court shall be invited to make the necessary appointments. If the Deputy Secretary-General is a national of either Contracting Party or if he or she, too, is prevented from discharging the said function, a staff member of the International Bureau of the Court whom the Secretary-General and the Deputy Secretary-General agree to designate and who is not a national of either Contracting Party shall be invited to make the necessary appointments.

4. If the necessary appointments referred to in paragraph 2 or 3 have not been made, either Contracting Party may, unless

otherwise agreed, request the Secretary-General of the Permanent Court of Arbitration at The Hague to make such appointments.

5. The arbitration board shall determine its own procedural rules, after consultation with the Contracting Parties. The arbitration board shall decide the dispute in accordance with this Agreement and the rules and principles of international law applicable to the subject matter. The arbitration board shall within a reasonable period of time reach its decision by a majority of votes. Such decision shall be final and binding.

6. Each Contracting Party shall bear the cost of the arbitrator of its choice and its representation in the arbitral proceedings. The cost of the President of the arbitration board in discharging his or her duties and the remaining costs of the arbitration board shall be borne equally by the Contracting Parties. However, the arbitral board may, at its discretion, direct that a higher proportion or all of such remaining costs of the arbitration board be paid by one of the Contracting Parties.

Article 16. Settlement of Investment Disputes between a Contracting Party and an Investor of the other Contracting Party

1. For the purposes of this Article, "investment dispute" is a dispute between a Contracting Party and an investor of the other Contracting Party that has incurred loss or damage by reason of, or arising out of, an alleged breach of any obligation of the former Contracting Party under this Agreement with respect to the investor of that other Contracting Party or its investments in the Area of the former Contracting Party.

2. Subject to subparagraph 7(b), nothing in this Article shall be construed so as to prevent an investor who is a party to an investment dispute (hereinafter referred to in this Article as "disputing investor") from seeking administrative or judicial settlement within the Area of the Contracting Party that is a party to the investment dispute (hereinafter referred to in this Article as "disputing Party").

3. Any investment dispute shall, as far as possible, be settled amicably through consultations between the disputing investor and the disputing Party (hereinafter referred to in this Article as "the disputing parties").

4. If the investment dispute cannot be settled through such consultations within six months from the date on which the disputing investor requested in writing the disputing Party for consultations, the disputing investor may, subject to paragraph 7, submit the investment dispute to one of the following international arbitrations:

(a) arbitration in accordance with the Convention on the Settlement of Investment Disputes between States and Nationals of Other States, done at Washington, March 18, 1965 (hereinafter referred to in this Article as "ICSID Convention"), so long as the ICSID Convention is in force between the Contracting Parties;

(b) arbitration under the Additional Facility Rules of the International Centre for Settlement of Investment Disputes, provided that either Contracting Party, but not both, is a party to the ICSID Convention;

(c) arbitration under the Arbitration Rules of the United Nations Commission on International Trade Law; or

(d) if agreed with the disputing Party, any arbitration in accordance with other arbitration rules.

5. Each Contracting Party hereby consents to the submission of an investment dispute by a disputing investor to arbitration set forth in paragraph 4 chosen by the disputing investor.

6. Notwithstanding paragraph 5, no investment disputes may be submitted to arbitration set forth in paragraph 4, if more than three years have elapsed since the date on which the disputing investor acquired or should have first acquired, whichever is the earlier, the knowledge that the disputing investor had incurred loss or damage referred to in paragraph 1.

7. No claim may be submitted to arbitration under this Article unless:

(a) the disputing investor consents in writing to arbitration in accordance with the procedures set out in this Article; and

(b) the disputing investor waives in writing any right to initiate or continue before any administrative tribunal or court of justice under the law of either Contracting Party, or other dispute settlement procedures, any proceedings with respect to any measure alleged to constitute a breach referred to in paragraph 1 before any judgment or award has been delivered on the subject matter of the dispute under the abovementioned mechanism.

8. The waiver provided pursuant to subparagraph 7 (b) shall cease to apply where the arbitral tribunal rejects the claim on the basis of a failure to meet the requirements of paragraph 4, 6 or 7, or on any other procedural or jurisdictional grounds.

9. Notwithstanding subparagraph 7(b), the disputing investor may initiate or continue an action that seeks interim injunctive

relief that does not involve the payment of monetary damages before an administrative tribunal or court of justice under the law of the disputing Party.

10. An arbitral tribunal established under paragraph 4 shall decide the issues in dispute in accordance with this Agreement and applicable rules of international law.

11. The disputing Party shall deliver to the other Contracting Party:

(a) written notice of the investment dispute submitted to the arbitration no later than thirty days after the date on which the investment dispute was submitted; and

(b) copies of all pleadings filed in the arbitration.

12. The Contracting Party which is not the disputing Party may, upon written notice to the disputing parties, make submissions to the arbitral tribunal on a question of interpretation of this Agreement.

13. In an arbitration under this Article, the disputing Party shall not assert, as a defence, counterclaim, right of setoff or otherwise, that the disputing investor has received or will receive indemnification or other compensation for all or part of the alleged damages pursuant to an insurance or guarantee contract.

14. The award rendered by the arbitral tribunal shall include:

(a) a written decision whether or not there has been a breach by the disputing Party of any obligation under this Agreement with respect to the disputing investor and its investments; and

(b) one or both of the following remedies, only if there has been such a breach:

(i) payment of monetary damages and financial cost; and

(ii) restitution of property, in which case the award shall provide that the disputing Party may pay monetary damages and financial cost, in lieu of restitution.

The arbitral tribunal may also award cost and attorney's fees in accordance with applicable arbitration rules.

15. The disputing Party may make available to the public in a timely manner all documents, including an award, submitted to, or issued by, an arbitral tribunal established under paragraph 4, except for:

(a) confidential business information;

(b) information which is privileged or otherwise protected from disclosure under the applicable laws and regulations of either Contracting Party; and

(c) information which shall be withheld pursuant to the relevant arbitration rules.

16. Unless the disputing parties agree otherwise, the arbitration shall be held in a country that is a party to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards, done at New York, June 10, 1958 (hereinafter referred to in this Article as "New York Convention").

17. The award rendered by the arbitral tribunal shall be final and binding upon the disputing parties. This award shall be executed in accordance with the applicable laws and regulations, as well as relevant international law including the ICSID Convention and the New York Convention, concerning the execution of award in force in the country where such execution is sought.

Article 17. Service of Documents

1. Notices and other documents relating to arbitration under this Agreement shall be served on a Contracting Party by delivery to:

(a) with respect to Japan, International Legal Affairs Bureau, the Ministry of Foreign Affairs; and

(b) with respect to the Kingdom of Bahrain, Afro-Asian Affairs Sector, the Ministry of Foreign Affairs.

2. A Contracting Party shall promptly make publicly available and notify to the other Contracting Party any change to the name of the authority referred to in paragraph 1.

3. Each Contracting Party shall make publicly available the address of its authority referred to in paragraphs 1 and 2.

Article 18. General and Security Exceptions

1. Subject to the requirement that such measures are not applied by a Contracting Party in a manner which would constitute a means of arbitrary or unjustifiable discrimination against, or a disguised restriction on investors of the other Contracting Party and their investments in the Area of the former Contracting Party, nothing in this Agreement shall be construed so as to prevent the former Contracting Party from adopting or enforcing measures:

(a) necessary to protect human, animal or plant life or health;

(b) necessary to protect public morals or to maintain public order, provided that the public order exception may only be invoked where a genuine and sufficiently serious threat is posed to one of the fundamental interests of society;

(c) necessary to secure compliance with the laws or regulations which are not inconsistent with the provisions of this Agreement including those relating to:

(i) the prevention of deceptive and fraudulent practices or to deal with the effects of a default on contract;

(ii) the protection of the privacy of the individual in relation to the processing and dissemination of personal data and the protection of confidentiality of personal records and accounts; or

(iii) safety; or

(d) imposed for the protection of national treasures of artistic, historic or archaeological value.

2. Subject to paragraph 3 of Article 12, nothing in this Agreement shall be construed to prevent a Contracting Party from adopting or enforcing measures:

(a) which it considers necessary for the protection of its essential security interests, including measures:

(i) taken in time of war, armed conflict, or other emergency in that Contracting Party or in international relations; or

(ii) relating to the implementation of national policies or international agreements respecting the non-proliferation of weapons; or

(b) in pursuance of its obligations under the United Nations Charter for the maintenance of international peace and security.

3. Nothing in this Agreement shall be construed to require a Contracting Party to furnish or allow access to any information the disclosure of which it determines to be contrary to its essential security interests.

4. In cases where a Contracting Party takes any measure, pursuant to paragraph 2, that does not conform with the obligations of the provisions of this Agreement, that Contracting Party shall not use such measure as a means of avoiding its obligations.

Article 19. Temporary Safeguard Measures

1. A Contracting Party may adopt or maintain measures not conforming with its obligations under Article 3 relating to cross-border capital transactions and Article 14:

(a) in the event of serious balance-of-payments and external financial difficulties or threat thereof; or

(b) in cases where, in exceptional circumstances, movements of capital cause or threaten to cause serious difficulties for macroeconomic management, in particular, monetary and exchange rate policies.

2. Measures referred to in paragraph 1:

(a) shall be consistent with the Articles of Agreement of the International Monetary Fund, so long as the Contracting Party taking the measures is a party to the said Articles;

(b) shall not exceed those necessary to deal with the circumstances set out in paragraph 1;

(c) shall be temporary and shall be eliminated as soon as conditions permit;

(d) shall be promptly notified to the other Contracting Party; and

(e) shall avoid unnecessary damages to the commercial, economic and financial interests of the other Contracting Party.

3. Nothing in this Agreement shall be regarded as altering the rights enjoyed and obligations undertaken by a Contracting Party as a party to the Articles of Agreement of the International Monetary Fund.

Article 20. Prudential Measures

1. Notwithstanding any other provisions of this Agreement, a Contracting Party shall not be prevented from taking measures relating to financial services for prudential reasons, including measures for the protection of investors, depositors, policy holders or persons to whom a fiduciary duty is owed by an enterprise supplying financial services, or to ensure the integrity and stability of its financial system.

2. Where the measures taken by a Contracting Party pursuant to paragraph 1 do not conform with this Agreement, they shall not be used as a means of avoiding the obligations of the Contracting Party under this Agreement.

Article 21. Intellectual Property Rights

1. The Contracting Parties shall grant and ensure the adequate and effective protection of intellectual property rights, and promote efficiency and transparency in intellectual property protection system. For this purpose, the Contracting Parties shall promptly consult with each other at the request of either Contracting Party. Depending on the results of the consultation, each Contracting Party shall, in accordance with its applicable laws and regulations, take appropriate measures to remove the factors which are recognised as having adverse effects to the investments of investors of the other Contracting Party.

2. Nothing in this Agreement shall affect the rights and obligations of the Contracting Parties under multilateral agreements in respect of protection of intellectual property rights to which the Contracting Parties are parties.

3. Nothing in this Agreement shall be construed so as to oblige either Contracting Party to extend to investors of the other Contracting Party and to their investments treatment accorded to investors of a non-Contracting Party and to their investments by virtue of multilateral agreements in respect of protection of intellectual property rights, to which the former Contracting Party is a party.

Article 22. Taxation

1. Nothing in this Agreement shall apply to taxation measures except as expressly provided for in paragraphs 3 and 4.

2. Nothing in this Agreement shall affect the rights and obligations of either Contracting Party under any tax convention. In the event of any inconsistency between this Agreement and any such convention, that convention shall prevail to the extent of the inconsistency.

3. Articles 5, 6, 8 and 11 shall apply to taxation measures.

4. Articles 15, 16 and 23 shall apply to disputes regarding taxation measures to the extent covered by paragraph 3.

Article 23. Consultations

Either Contracting Party may propose to the other Contracting Party that consultations be held to discuss any investment-related matters including the implementation and operation of this Agreement. The other Contracting Party shall accord sympathetic consideration to the proposal and shall afford adequate opportunity for such consultations.

Article 24. Health, Safety and Environmental Measures and Labour Standards

Each Contracting Party shall refrain from encouraging investment by investors of the other Contracting Party and of a non-Contracting Party by relaxing its health, safety or environmental measures, or by lowering its labour standards. To this effect, each Contracting Party should not waive or otherwise derogate from such measures or standards as an encouragement for the establishment, acquisition or expansion of investments in its Area by investors of the other Contracting Party and of a non-Contracting Party.

Article 25. Denial of Benefits

1. A Contracting Party may deny the benefits of this Agreement to an investor of the other Contracting Party that is an enterprise of the other Contracting Party and to its investments if the enterprise is owned or controlled by an investor of a

non-Contracting Party and the denying Contracting Party:

(a) does not maintain diplomatic relations with the non-Contracting Party; or

(b) adopts or maintains measures with respect to the non-Contracting Party that prohibit transactions with the enterprise or that would be violated or circumvented if the benefits of this Agreement were accorded to the enterprise or to its investments.

2. A Contracting Party may deny the benefits of this Agreement to an investor of the other Contracting Party that is an enterprise of the other Contracting Party and to its investments if the enterprise is owned or controlled by an investor of a non-Contracting Party and the enterprise has no substantial business activities in the Area of the other Contracting Party.

Article 26. Review

1. Upon the request of either Contracting Party, the Contracting Parties shall undertake a review of this Agreement, with a view to further protecting and promoting investment between the Contracting Parties, for example, by adding the provisions of prohibition of performance requirements such as those with regard to transfer of technology or a licence contract.

2. If, after the entry into force of this Agreement, the Kingdom of Bahrain enters into any multilateral or bilateral international agreement prohibiting performance requirements which are not prohibited in this Agreement, the Contracting Parties shall also conduct such a review with a view to adding the equivalent provisions to this Agreement.

Article 27. Headings

The headings of the Articles of this Agreement are inserted for convenience of reference only and shall not affect the interpretation of this Agreement.

Article 28. Final Provisions

1. This Agreement shall enter into force on the thirtieth day after the date of exchange of diplomatic notes informing each other that their respective legal procedures necessary for the entry into force of this Agreement have been completed. It shall remain in force for a period of ten years after its entry into force and shall continue in force unless terminated as provided for in paragraph 3.

2. This Agreement shall also apply to all investments of investors of either Contracting Party acquired in the Area of the other Contracting Party in accordance with the applicable laws and regulations of that other Contracting Party prior to the entry into force of this Agreement.

3. A Contracting Party may, by giving one year's advance notice in writing to the other Contracting Party, terminate this Agreement at the end of the initial ten year period or at any time thereafter.

4. In respect of investments acquired prior to the date of termination of this Agreement, the provisions of this Agreement shall continue to be effective for a period of fifteen years from the date of termination of this Agreement.

5. This Agreement shall not apply to claims arising out of events which occurred prior to its entry into force.

IN WITNESS WHEREOF, the undersigned, being duly authorised by their respective Governments, have signed this Agreement.

DONE in duplicate at Manama, on this 23rd day of June, 2022 in the Japanese, Arabic and English languages, all the three texts being equally authentic. In case of any divergence of interpretation, the English text shall prevail.

FOR THE GOVERNMENT OF JAPAN:

Honda Taro

FOR THE GOVERNMENT OF THE KINGDOM OF BAHRAIN:

Yusuf Abdulla Humood