

# **Agreement between the Government of the Kingdom of Bahrain and the Government of the Islamic Republic of Iran on the Promotion and Reciprocal Protection of Investments**

The Government of the Islamic Republic of Iran and the Government of the Kingdom of Bahrain, hereinafter referred to as the "Contracting Parties",

Desiring to establish and intensify economic cooperation to the mutual benefit of both States,

Intending to utilize their economic resources and potential facilities as well as to create and maintain favourable conditions for investments of investors of one Contracting Party in the territory of the other Contracting Party, and

Recognizing the need for the protection of investments of investors of both Contracting Parties in the territory of the other Contracting Party,

Have agreed as follows:

## **Article 1. Definitions**

For the purpose of this Agreement the meaning of the terms used therein are as follows:

1. The term "investment" refers to every kind of asset invested by investors of one Contracting Party in the territory of the other Contracting Party in accordance with the national laws and regulations of the other Contracting Party including, particularly but not exclusively:
  - a. Movable and immovable property as well as rights related thereto, such as mortgages, liens, pledges or usufruct;
  - b. Shares or any kind of participation in companies;
  - c. Claim to money or to any performance having an economic value;
  - d. Intellectual and industrial property rights such as patents, utility models, industrial designs or models, trade marks and names, know-how and goodwill.
  - e. Special rights conferred by the law, an agreement or a decision of a competent authority to search for, extract or exploit natural resources.
2. The term "investor/investors" refers to the following persons who invest in the territory of the other Contracting Party, within the framework of this Agreement:
  - a. Natural persons possessing the nationality of one of the Contracting Parties in accordance with its laws.
  - b. Legal persons of either Contracting Party such as corporations, firms or associations which are established under the national laws of that Contracting Party, and their real economic activities are located in the territory of that Contracting Party.
3. The term "returns" means investment funds that are obtained legally in particular but not exclusively, profits from investments, interests from financing, capital gains, dividends, fees and royalties.
4. The term "territory" of a Contracting Party:
  - a. In case of Islamic Republic of Iran refers to the areas under the sovereignty or jurisdiction of the Islamic Republic of Iran, including its territorial sea.
  - b. In case of Bahrain represents the territory of the Kingdom of Bahrain including its territorial sea and the airspace above

its territory over which Bahrain exercises its sovereign rights or exclusive jurisdiction in accordance with international law.

## **Article 2. Promotion of Investment**

1. Each Contracting Party shall encourage its investors to invest in the territory of the other Contracting Party.
2. Each Contracting Party shall create favourable conditions for investors of the other Contracting Party to attract investment by investors of the other Contracting Party in its territory, in accordance with its laws and regulations.

## **Article 3. Admission of Investment**

1. Each Contracting Party shall admit investments of natural and legal persons of the other Contracting Party in its territory, in accordance with its national laws and regulations. The competent authority for approving investments in the Islamic Republic of Iran as mentioned in Article 10 of this Agreement is the Organization for Investment, Economic and Technical Assistance or any agency that may replace it.
2. Either Contracting Party shall, after an investment is admitted, grant the necessary permits in accordance with its national laws and regulations for the realization of such an investment.

## **Article 4. National Treatment and Most Favoured Nation Treatment Provisions**

1. Investments of investors of either Contracting Party effected within the territory of the other Contracting Party shall receive the host Contracting Party's full legal protection and fair treatment not less favourable than accorded to its own investors or to investors of any third State in like circumstances (whichever is more favourable).
2. Neither Contracting Party shall in its territory treat investors of the other Contracting Party less favourable than investors of any third state with regard to the management, maintenance, use, enjoyment, exercise or sale of their investments.
3. If a Contracting Party has accorded or shall accord in future special advantages to investors of any third State by virtue of an existing or future agreement establishing a free trade area, a customs union, a common market or a similar regional organization and/or by virtue of an agreement on the avoidance of double taxation, it shall not be obliged to accord such advantages or rights to investors of the other Contracting Party.

## **Article 5. More Favourable Provisions**

1. Notwithstanding the terms set forth in this Agreement, more favourable provisions which have been or may be agreed upon by either of the Contracting Parties with an investor of the other Contracting Party are applicable.
2. If the national legislation of each Contracting Party or the obligations arising from existing international agreements or similar existing agreements between Parties including general or specific obligations, entitles the investments of the investors of the other Contracting Party to treatment more favourable than is provided by this Agreement, such provisions shall, to the extent that they are more favourable, prevail over this Agreement.

## **Article 6. Expropriation and Compensation**

1. Investments of investors of either Contracting Party shall not be nationalized, confiscated, expropriated or subjected to similar measures by the other Contracting Party, except such measures are taken for public purposes, in accordance with due process of law, in a non-discriminatory manner, and upon payment of prompt, effective and fair compensation.
2. The amount of compensation shall be equivalent to the value of investment immediately before the action of nationalization, confiscation or expropriation was taken.
3. The amount of compensation should be equivalent to the value of the investment immediately before the expropriation took place.
4. In the event of delay in payment of compensation, the investor and the host country shall negotiate and agree on compensation for the financial loss during the period of delay.

## **Article 7. Losses**

Investors of either Contracting Party whose investments suffer losses due to war, any armed conflict, revolution or similar

state of emergency in the territory of the other Contracting Party shall be accorded by the other Contracting Party treatment no less favourable than that accorded to its own investors or to investors of any third State whichever is more favourable.

The payments will, if available, be freely transferable.

## **Article 8. Repatriation and Transfer of Capital**

1. Each Contracting Party shall, in accordance with its laws and regulations, permit in good faith the following transfers related to investments referred to in this Agreement, to be made freely and without delay out of its territory:

- a. Returns;
- b. Proceeds from the sale and/or liquidation of all or part of an investment;
- c. Royalties and fees related to transfer of technology agreement;
- d. Sums paid pursuant to Article 6 and 7 of this Agreement;
- e. Loan instalments which are related to an investment and paid out of such investment activities;
- f. Monthly salaries and wages received by employees of an investor of one Contracting Party who have obtained in the territory of the host Contracting Party, the corresponding work permits related to that investment;
- g. Payments arising from a decision of the authority referred to in Article 11.

2. The above transfers shall be effected promptly in a convertible currency and at the applicable rate of exchange on the date of transfer.

3. The investor and the host Contracting Party may agree otherwise with regard to the mechanism of repatriation or transfers referred to in this Article.

## **Article 9. Subrogation**

If a Contracting Party or its designated agency, within the framework of a legal system, subrogates an investor pursuant to a payment made under an insurance or guarantee agreement against non-commercial risks:

- a. Such subrogation shall be recognized by the other Contracting Party.
- b. The subrogate shall not be entitled to exercise any rights other than the rights which the investor would have been entitled to exercise.
- c. Disputes between the subrogee and the host Contracting Party shall be settled in accordance with Article 11 of this Agreement.

## **Article 10. Scope of the Agreement**

This Agreement shall apply to investments approved by the competent authorities of the host Contracting Party made whether prior to or after its entry into force. However, this Agreement shall not apply to disputes that have arisen before its entry into force.

## **Article 11. Settlement of Disputes between a Contracting Party and an Investor of the other Contracting Party**

1. Any dispute between the host Contracting Party and an investor or investors of the other Contracting Party shall as far as possible be settled in an amicable manner through negotiation and consultation.

2. In the event that the dispute with regard to an investment between the investor or investors of a Contracting Party and the other Contracting Party cannot be settled within four months from the date of the written application for the settlement, either party may submit the dispute for settlement to:

- a. The competent courts of the host Contracting Party; or
- b. The International Centre for Settlement of Investment Disputes (ICSID) for the implementation of the arbitration procedure under the Washington Convention, of 18 March 1965 on the Settlement of Investment Disputes between States

and Nationals of other States, if both Contracting Parties have acceded to it.

c. An ad hoc Arbitral Tribunal in compliance with the arbitration rules of the United Nations Commission on International LAW (UNCITRAL).

3. Any dispute primarily referred to the competent courts of the host Contracting Party, as long as it is pending cannot be referred to arbitration except with the Parties' agreement and in the event that a final judgement is rendered, it cannot be referred to arbitration.

4. National courts shall not have jurisdiction over any dispute referred to arbitration. However, the provisions of this paragraph do not bar the claimant to seek for the enforcement of the arbitral award before the national courts.

## **Article 12. Settlement of Disputes between the Contracting Parties**

1. All disputes arising between the Contracting Parties relating to the interpretation and application of this Agreement shall, in the first place, be settled amicably through consultations and negotiations. In case of disagreement cannot be settled within six months from the date of the start of the dispute, either Contracting Party may, subject to its laws and regulations, while sending a notice to the other Contracting Party, refer the case to an Arbitral Tribunal of three members consisting of two arbitrators appointed by the Contracting Parties. The arbitrators appointed by the Contracting Parties shall appoint a Chairman within sixty days after the last arbitrator is appointed. If either Contracting Party is unable to appoint an arbitrator within the specified period, or if the arbitrators appointed by the Contracting Parties are unable to appoint a Chairman within the specified period, either Contracting Party may invite the President of the International Court of Justice to make the necessary appointments. The Chairman must be a national of a third State having diplomatic relations with both Contracting Parties at the time of the appointment.

2. In the events the Chairman is appointed by the International Court of Justice, if the President of the International Court of Justice is prevented from carrying out the said function or if he is a national of either Contracting Party, the appointment shall be made by the Vice-President of the International Court of Justice, and if the Vice-President is also prevented from carrying out the said function or he is a national of either Contracting Party, the appointment shall be made by the senior member of the said court who is not a national of either Contracting Party.

3. Taking all other conditions that Contracting Parties have agreed to; the Tribunal shall lay down its own procedures and determine the place of arbitration.

4. The Arbitration Tribunal shall rule with a majority vote and its decisions shall be final and binding on both Contracting Parties. Both Contracting Parties shall pay the costs of their own arbitration and of their representative at the hearings. The costs of the Chairman and any other costs shall be divided equally between the Contracting Parties. In any case, the Tribunal will decide on its own that a higher proportion of the costs will be paid by one of the Contracting Parties and this decision shall be final and binding on both Contracting Parties. The Arbitration Tribunal shall lay down its own procedures.

## **Article 13. Validity of the Agreement**

1. This Agreement shall, in accordance with the related laws and regulations of the Contracting Parties, be ratified.

2. This Agreement shall enter into force thirty days from the date of receipt of the last of the two notifications by which the Contracting Parties shall communicate officially to each other that their respective ratification procedures have been completed. This Agreement is valid for a period of ten years and shall remain in force thereafter unless it will be terminated by either Contracting Party within six months prior to the termination in writing.

3. After the expiration of the validity or termination of this Agreement its provisions shall apply to investments under this Agreement for a further period of ten years.

## **Article 14. Language and Number of Texts**

This Agreement is done in duplicate at Damascus on February 5, 1998 corresponding to 16th Bahman 1376 in Persian, Arabic and English languages and all texts are equally authentic. In case of divergence of interpretation, the English text shall prevail.

This Agreement was signed at Tehran on October 19, 2002 corresponding to 27th Mehr 1381 by representatives of the

Government of the Islamic Republic of Iran and the Government of the Kingdom of Bahrain.

Signature of the Government of the Islamic Republic of Iran

Tahmaseb Mozaheri

Minister of Economics and Finance

Signature of the Government of Syrian Arab Republic

Abdullah Hassan Seyf

Minister of Finance and National Economy.