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**Legislative Decree No. (37) of 1999 ratifying the Convention between the Government of the State of Bahrain and the Government of the United States of America for the Encouragement and Reciprocal Protection of Investment**

We, Hamad bin Isa Al Khalifa Emiri of Bahrain,

Having reviewed the Constitution;

Emiri Decree No. (4) of 1975;

And the Convention between the government of the State of Bahrain and the government of the United States of America signed in Washington D.C on 20 Jumada Al-Thani1420 A.H. Corresponding to 29/9/1999

And upon the submission of the Minister of Finance and National Economy;

And after consulting the Shura Council,

And after the approval of the Council of Ministers,

**Hereby Decree the following Law:**

**Article One**

The Convention on the mutual promotion and protection of investments between the Government of the State of Bahrain and the Government of United States of America signed in the city of Washington D.C. on 20 Jamadi Al-Thani 1420 H. Corresponding to 29/9/1999, and the accompanying this law has been ratified.

**Article Two**

The Ministers - each within his jurisdiction- shall implement the provisions of this Law, and it shall come into force from the date of its publication in the Official Gazette.

**Emir of the State of Bahrain**

**Hamad bin Isa Al Khalifa**

Issued at Riffa Palace

On 5 Shaaban 1420 A.H.

Corresponding to 13 November 1999

**Convention between the Government of the Kingdom of Bahrain and the Government of the United States of America for the Encouragement and Reciprocal Protection of Investment**

The Government of the United States of America and the Government of the State of Bahrain (hereinafter the "Parties");

Desiring to promote greater economic cooperation between them, with respect to investment by nationals and companies of one Party in the territory of the other Party;

Recognizing that Convention upon the treatment to be accorded such investment shall stimulate the flow of private capital and the economic development of the Parties, Agreeing that a stable framework for investment shall maximize effective utilization of economic resources and improve living standards;

Recognizing that the development of economic and business ties can promote respect for internationally recognized worker rights;

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

Having resolved to conclude a Convention concerning the encouragement and reciprocal protection of investment; Have agreed as follows:

**Article One**

For the purposes of this Convention:

(a) "Company" means any entity constituted or organized under applicable law, whether or not for profit, and whether privately or governmentally owned or controlled, and includes, but is not limited to, a corporation, trust, partnership, sole proprietorship, branch, joint venture, association, or other organization;

(b) "Company of a Party" means a company constituted or organized under the laws of that Party;

(c) "National" of a Party means a natural person who is a national of that Party under its applicable law;

(d) "Investment" of a national or company means every kind of investment owned or controlled directly or indirectly by that national or company, and includes, but is not limited to, investment consisting or taking the form of:

(1) "A Company":

(2) Shares, stock, and other forms of equity participation, and bonds, debentures, and other forms of debt interests, in a company

(3) Contractual rights, such as under turnkey, construction or management contracts, production or revenue-sharing contracts, concessions, or other similar contracts;

(4) Moveable and immovable property; and intangible property, including, but not limited to, rights, such as leases, mortgages, liens and pledges;

(5) Intellectual property, including, but not limited to: Copyrights and related rights, Patents, Rights in plant varieties, Industrial designs, Rights in semiconductor layout designs, Trade secrets, including, but not limited to, know-how and confidential business information, Trade and service marks, and Trade names; and

(6) Rights conferred pursuant to law, such as licenses and permits;

(e) "Covered investment" means an investment of a national or company of a Party in the territory of the other Party;

(f) "State enterprise" means a company owned, or controlled through ownership interests, by a Party;

(g) "Investment authorization" means an authorization granted by the foreign investment authority of a Party to a covered investment or a national or company of the other Party;

(h) "Investment agreement" means a written agreement between the national authorities of a Party and a covered investment or a national or company of the other Party that:

(1) Grants rights with respect to natural resources or other assets controlled by the national authorities and (2) the investment, national or company relies upon in establishing or acquiring a covered investment;

(i) "ICSID Convention" means the Convention on the Settlement of Investment Disputes between States and Nationals of Other States, done at Washington,on March 18, 1965;

(j) "Centre" means the International Centre for Settlement of Investment Disputes Established by the ICSID Convention; and

(k) "UNCITRAL Arbitration Rules" means the arbitration rules of the United Nations Commission on International Trade Law.

**Article Two**

1. With respect to the establishment, acquisition, expansion, management, conduct, operation and sale or other disposition of covered investments, each Party shall accord treatment no less favourable than that it accords, in like situations, to investments in its territory of its own nationals or companies (hereinafter "national treatment") or to investments in its territory of nationals or companies of a third country {hereinafter "most favored nation treatment"),  Whichever is most favourable (hereinafter "national and most favoured nation treatment"). Each Party shall ensure that its state enterprises, in the provision of their goods or services, accord national and most favoured nation treatment to covered investments.

2. (a) A Party may adopt or maintain exceptions to the obligations of paragraph 1 in the sectors or with respect to the matters specified in the Annex to this Convention. In adopting such an exception, a Party may not require the divestment, in whole or in part, of covered investments existing at the time the exception becomes effective.

(b) The obligations provided for in paragraph 1 do not apply to procedures provided for in multilateral agreements concluded under the auspices of the World Intellectual Property Organization relating to the acquisition or maintenance of intellectual property rights.

3. (a) Each Party shall at all times accord to covered investments fair and equitable treatment and full protection and security, and shall in no case accord treatment less favorable than that required by international law.

(b) Neither Party shall in any way impair by unreasonable and discriminatory measures the management, conduct, operation, and sale or other disposition of covered investments.

4. Each Party shall provide effective means of asserting claims and enforcing rights with respect to covered investments.

5. Each Party shall ensure that its laws, regulations, administrative practices and procedures of general application, and adjudicatory decisions, that pertain to or affect covered investments are promptly published or otherwise made publicly available.

**Article Three**

1. Neither Party shall expropriate or nationalize a covered investment either directly or indirectly through measures tantamount to expropriation or nationalization ("expropriation") except for a public purpose;  in a non-discriminatory manner; upon payment of prompt, adequate and effective compensation; and in accordance with due process of law and the general principles of treatment provided for in Article 2, paragraph 3.

2. Compensation shall be paid without delay; be equivalent to the fair market value of the expropriated investment immediately before the expropriatory action was taken ("the date of expropriation");  and be fully realizable and freely transferable.  The fair market value shall not reflect any change in value occurring because the expropriatory action had become known before the date of expropriation,

3. If the fair market value is denominated in a freely usable currency, the compensation paid shall be no less than the fair market value on the date of expropriation, plus interest at a commercially reasonable rate for that currency, accrued from the date of expropriation until the date of payment.

4. If the fair market value is denominated in a currency that is not freely usable, the compensation paid — converted into the currency of payment at the market rate of exchange prevailing on the date of payment — shall be no less than:

(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, plus

(b) Interest, at a commercially reasonable rate for that freely usable currency, accrued from the date of expropriation until the date of payment.

**Article Four**

1. Each Party shall accord national and most favored nation treatment to covered investments as regards any measure relating to losses that investments suffer in its territory owing to war or other armed conflict, revolution, state of national emergency, insurrection, civil disturbance, or similar events.

2. Each Party shall accord restitution, or pay compensation in accordance with paragraphs 2 through 4 of Article 3, in the event that covered investments suffer losses in its territory, owing to war or other armed conflict, revolution, state of national emergency, insurrection, civil disturbance, or similar events, that result from:

(a) Requisitioning of all or part of such investments by the Party's forces or authorities, or

(b) Destruction of all or part of such investments by the Party's forces or authorities that was not required by the necessity of the situation.

**Article Five**

1. Each Party shall permit all transfers relating to a covered investment to be made freely and without delay into and out of its territory. Such transfers include, but are not limited to:

(a) Contributions to capital;

(b) Profits, dividends, capital gains, and proceeds from the sale of all or any part of the investment or from the partial or complete liquidation of the investment

(c) Interest, royalty payments, management fees, and technical assistance and other fees;

(d) Payments made under a contract, including, but not limited to, a loan agreement; and

(e) Compensation pursuant to Articles 3 and 4, and payments arising out of an investment dispute.

2. Each Party shall permit transfers to be made in a freely usable currency at the market rate of exchange prevailing on the date of transfer

3. Each Party shall permit returns in kind to be made as authorized or specified in an investment authorization, investment agreement, or other written agreement between the Party and a covered investment or a national or company of the other Party.

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

(a) Bankruptcy, insolvency, or the protection of the rights of creditors;

(b) Issuing, trading or dealing in securities;

(c) Criminal or penal offences; or

(d) Ensuring compliance with orders or judgements in adjudicatory proceedings.

**Article Six**

Neither Party shall mandate or enforce, as a condition for the establishment, acquisition, expansion, management, conduct or operation of a covered investment, any requirement (including, but not limited to, any commitment or undertaking in connection with the receipt of a governmental permission or authorization):

(a) To achieve a particular level or percentage of local content, or to purchase, use or otherwise give a preference to products or services of domestic origin or from any domestic source;

(b) To limit imports by the investment of products or services in relation to a particular volume or value of production, exports or foreign exchange earnings;

(c) To export a particular type, level or percentage of products or services, either generally or to a specific market region;

(d) To limit sales by the investment of products or services in the Party's territory in relation to a particular volume or value of production, exports or foreign exchange earnings

(e) To transfer technology, a production process or other proprietary knowledge to a national or company in the Party's territory, except pursuant to an order, commitment or undertaking that is enforced by a court, administrative tribunal or competition authority to remedy an alleged or adjudicated violation of competition laws; or

(f) To carry out a particular type, level or percentage of research and development in the Party's territory.

Such requirements do not include conditions for the receipt or continued receipt of an advantage.

**Article Seven**

1. (a) Subject to its laws relating to the entry and sojourn of aliens, each Party shall permit to enter and to remain in its territory nationals of the other Party for the purpose of establishing, developing, administering or advising on the operation of an investment to which they, or a company of the other Party that employs them, have committed or are in the process of committing a substantial amount of capital or other resources.

(b) Neither Party shall, in granting entry under paragraph 1 (a), require a labour certification test or other procedures of similar effect, or apply any numerical restriction,

2. Each Party shall permit covered investments to engage top managerial personnel of their choice, regardless of nationality.

**Article Eight**

The Parties agree to consult promptly, on the request of either, to resolve any disputes in connection with the Convention, or to discuss any matter relating to the interpretation or application of the Convention or to the realization of the objectives of the Convention.

**Article Nine**

1. For purposes of this Convention, an investment dispute is a dispute between a Party and a national or company of the other Party arising out of or relating to an investment authorization, an investment agreement or an alleged breach of any right conferred, created or recognized by this Convention with respect to a covered investment.

2. A national or company that is a party to an investment dispute may submit the dispute for resolution under one of the following alternatives:

(a) To the courts or administrative tribunals of the Party that is a party to the dispute; or

(b) In accordance with any applicable, previously agreed dispute-settlement procedures; or

(c) In accordance with the terms of paragraph 3.

3. (a) Provided that the national or company concerned has not submitted the dispute for resolution under paragraph 2 (a) or (b), and that ninety days have elapsed from the date on which the dispute arose, the national or company concerned may submit the dispute for settlement by binding arbitration:

(1) To the Centre, if the Centre is available; or

(2) To the Additional Facility of the Centre, if the Centre is not available; or

(3) In accordance with the UNCITRAL Arbitration Rules; or

(4) If agreed by both parties to the dispute, to any other arbitration institution or in accordance with any other arbitration rules.

(b) A national or company, notwithstanding that it may have submitted a dispute to binding arbitration under paragraph 3 (a), may seek interim injunctive relief, not involving the payment of damages, before the judicial or administrative tribunals of the Party that is a party to the dispute, prior to the institution of the arbitral proceeding or during the proceeding, for the preservation of its rights and interests.

(a) In order to obtain the binding arbitration.

4. Each Party hereby consents to the submission of any investment dispute for settlement by binding arbitration in accordance with the choice of the national or company under paragraph 3 (a) (1), (2), and (3) or the mutual agreement of both parties to the dispute under paragraph 3 (a) (4).  This consent and the submission of the dispute by a national or company under paragraph 3 (a) shall satisfy the requirement of:

(a) Chapter Two of the ICSID Convention (Jurisdiction of the Centre) and the Additional Facility Rules for written consent of the parties to the dispute; and

(b) Article 2 of the United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards, done at New York, June 10, 1958, for an "agreement in writing."

5. Any arbitration under paragraph 3 (a) (2), (3) or (4) shall be held in a state that is a party to the United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards, done at New York, June 10, 1958.

6. Any arbitral award rendered pursuant to this Article shall be final and binding on the parties to the dispute. Each Party shall carry out without delay the provisions of any such award and provide in its territory for the enforcement of such award.

7. In any proceeding involving an investment dispute, a Party shall not assert, as a defence, counter-claim, right of set-off or for any other reason, that indemnification or other compensation for all or part of the alleged damages has been received or will be received pursuant to an insurance or guarantee contract.

8. For purposes of Article 25 (2) (b) of the ICSID Convention and this Article, a company of a Party that, immediately before the occurrence of the event or events giving rise to an investment dispute, was a covered investment, shall be treated as a company of the other Party.

**Article Ten**

1. Any dispute between the Parties concerning the interpretation or application of the Convention, that is not resolved through consultations or other diplomatic channels, shall be submitted upon the request of either Party to an arbitral tribunal for binding decision in accordance with the applicable rules of international law. In the absence of an agreement by the Parties to the contrary, the UNCITRAL Arbitration Rules shall govern, except to the extent these rules are (a) modified by the Parties or (b) modified by the arbitrators unless either Party objects to the proposed modification.

2. Within two months of receipt of a request, each Party shall appoint an arbitrator. The two arbitrators shall select a third arbitrator as chairman, who shall be a national of a third state. The UNCITRAL Arbitration Rules applicable to appointing members of three-member panels shall apply mutatis mutandis to the appointment of the arbitral panel except that the appointing authority referenced in those rules shall be the Secretary General of the Centre.

3. Unless otherwise agreed, all submissions shall be made and all hearings shall be completed within six months of the date of selection of the third arbitrator, and the arbitral panel shall render its decisions within two months of the date of the final submissions or the date of the closing of the hearings, whichever is later.

4. Expenses incurred by the Chairman and other arbitrators, and other costs of the proceedings, shall be paid for equally by the Parties. However, the arbitral panel may, at its discretion, direct that a higher proportion of the costs be paid by one of the Parties.

**Article Eleven**

This Convention shall not derogate from any of the following that entitle covered investments to treatment more favourable than that accorded by this Convention:

(a) Laws and regulations, administrative practices or procedures, or administrative or adjudicatory decisions of a Party;

(b) International legal obligations; or

(c) Obligations assumed by a Party, including, but not limited to, those contained in an investment authorization or an investment agreement.

**Article Twelve**

Each Party reserves the right to deny to a company of the other Party the benefits of this Convention if nationals of a third country own or control the company and

(a) The denying Party does not maintain normal economic relations with the third country; or

(b) The company has no substantial business activities in the territory of the Party under whose laws it is constituted or organized.

**Article Thirteen**

1. "No provision of this Convention shall impose obligations with respect to tax matters, except that:

(a) Articles 3, 9 and 10 shall apply with respect to expropriation; and

(b) Article 9 will apply with respect to an investment agreement or an investment authorization.

2. With respect to the application of Article 3, an investor that asserts that a tax measure involves an expropriation may submit that dispute to arbitration pursuant to Article 9, paragraph 3, provided that the investor concerned has first referred to the competent tax authorities of both Parties the issue of whether that tax measure involves an expropriation.

3. However, the investor cannot submit the dispute to arbitration if, within nine months after the date of referral, the competent tax authorities of both Parties determine that the tax measure does not involve an expropriation.

**Article Fourteen**

1. This Convention shall not preclude a Party from applying measures which it considers necessary for the fulfilment of its obligations with respect to the maintenance or restoration of international peace or security, or the protection of its own essential security interests.

2. This Convention shall not preclude a Party from prescribing special formalities in connection with covered investments, such as a requirement that such investments be legally constituted under the laws and regulations of that Party, or a requirement that transfers of currency or other monetary instruments be reported, provided that such formalities shall not impair the substance of any of the rights set forth in this Convention.

**Article Fifteen**

1. (a) The obligations of this Convention shall apply to the political subdivisions of the Parties,

(b) With respect to the treatment accorded by a State, Territory or possession of the United States of America, national treatment means treatment no less favourable than the treatment accorded thereby, in like situations, to investments of nationals of the United States of America resident in, and companies legally constituted under the laws and regulations of, other States, Territories or possessions of the United States of America.

2) A Party's obligations under this Convention shall apply to a state enterprise in the exercise of any regulatory, administrative or other governmental authority delegated to it by that contracting party.

**Article Sixteen**

1. This Convention shall enter into force thirty days after the date of exchange of instruments of ratification. It shall remain in force for a period of ten years and shall continue in force unless terminated in accordance with paragraph 2.

It shall apply to covered investments existing at the time of entry into force as well as to those established or acquired thereafter

2. A Party may terminate this Convention at the end of the initial ten year period or at any time thereafter by giving one year's written notice to the other Party.

3. For ten years from the date of termination, all other Articles shall continue to apply to covered investments established or acquired prior to the date of termination, except insofar as those Articles extend to the establishment or acquisition of covered investments.

4. The Annex shall form an integral part of the Convention.

All dates and periods mentioned in this Convention shall be reckoned according to the Gregorian calendar. IN WITNESS WHEREOF, the respective plenipotentiaries have signed this Convention. DONE at Washington, this twenty-ninth day of September, 1999, In duplicate in the English and Arabic languages, each text being authentic; however, in the case of divergence, the English text shall prevail.

**For the Government of the kingdom of Bahrain**

**for the Government of the United States of America**

**Annex**

1. The Government of the United States of America may adopt or maintain exceptions to the obligation to accord national treatment to covered investments in the sectors or with respect to the matters specified below:

Atomic energy; customhouse brokers; licenses for broadcast, common carrier, or aeronautical radio stations; COMSAT; subsidies or grants, including, but not limited to, government-supported loans, guarantees and insurance; state and local measures exempt from Article 1102 of the North American Free Trade Agreement pursuant to Article 1108 thereof; and landing of submarine cables.

Most favoured nation treatment shall be accorded in the sectors and matters indicated above.

2. The Government of the United States of America may adopt or maintain exceptions to the obligation to accord national and most favored nation treatment to covered investments in the sectors or with respect to the matters specified below:

Fisheries; air and maritime transport, and related activities; banking, insurance, securities, and other financial services; and one-way satellite transmissions of direct-to-home (DTH) and direct broadcast satellite (DBS) television services and of digital audio services.

3. The Government of the State of Bahrain may adopt or maintain exceptions to the obligation to accord national treatment to covered investments in the sectors or

With respect to the matters specified below:

Ownership or control of television and radio broadcasting and other forms of mass media; fisheries; initial privatization of exploration or drilling for crude oil. Most favoured nation treatment shall be accorded in the sectors and matters indicated above.

4. The Government of the State of Bahrain may adopt or maintain exceptions to the obligation to accord national and most favoured nation treatment to covered investments in the sectors or with respect to the matters specified below:

Air transportation; purchase or ownership of land: and until 1 January 2005, purchase or ownership of shares quoted on the Bahrain Stock Exchange.

5. Each Party agrees to accord national treatment to covered investments in t.he following sectors:

Leasing of minerals and pipeline rights-of-way on government lanes