

IN THE NAME OF GOD

**AGREEMENT**  
**ON RECIPROCAL PROMOTION AND**  
**PROTECTION OF INVESTMENTS**

**BETWEEN**

**THE GOVERNMENT OF**  
**THE KINGDOM OF BAHRAIN**

**AND**

**THE GOVERNMENT OF**  
**THE ISLAMIC REPUBLIC OF IRAN**

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

Desiring to intensify economic cooperation to the mutual benefit of both States;

Intending to utilize their economic resources and potential facilities in the area of investments as well as to create and maintain favourable conditions for investments of investors of the Contracting Parties in each others' territory and;

Recognizing the need to promote and protect investments of the investors of the Contracting Parties in each others' territory;

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 the investors of one Contracting Party in the territory of the other Contracting Party in accordance with the laws and regulations of the other Contracting Party and in particular, though not exclusively, includes:

- (a) movable and immovable property as well as rights related thereto, such as mortgages, liens and pledges;
- (b) shares, stocks and debentures of a company and any other form of participation in a company;
- (c) title to money or to any performance connected with an investment having a financial value;

(3)

(d) intellectual and industrial property rights such as patent; utility models, industrial designs or models, technical processes, trade marks and names, know-how and goodwill;

(e) business rights conferred by law including rights to search for, extract or exploit natural resources.

2. The term "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 who, according to the laws of either Contracting Party, are considered to be its national.

(b) legal persons of either Contracting Party such as corporations, firms or associations which are established under the laws of that Contracting Party and have their seat together with their real economic activities in the territory of that Contracting Parties.

3. The term "returns" refers to the amounts legally yielded by an investment including profit derived from investments, capital gain, dividends, royalties and fees.

4. The term "territory" refers to:

(a) In the case of " Bahrain ", the territory of the Kingdom of Bahrain as well as the maritime areas, seabed and subsoil over which Bahrain exercises, in accordance with international law, sovereign rights and jurisdiction;

(b) In the case of the Islamic Republic of Iran, areas under the sovereignty or jurisdiction of the Islamic Republic of Iran and includes its maritime areas.

**ARTICLE 2  
PROMOTION OF INVESTMENTS**

1. Either Contracting Party shall encourage its investors to invest in the territory of the other Contracting Party.

2. Either Contracting Party shall, within the framework of its laws and regulations, create favourable conditions for attraction of investments of investors of the other Contracting Party in its territory.

**ARTICLE 3  
ADMISSION OF INVESTMENTS**

1. Either Contracting Party shall admit investments of natural and legal persons of the other Contracting Party in its territory in accordance with its laws and regulations.

The competent authority for the approval of investments in the Islamic Republic of Iran, referred to in Article 10 of this Agreement, is Organization for Investment, Economic and Technical Assistance of Iran (O.I.E.T.A.I.) or the agency which may succeed it.

2. When an investment is admitted, either Contracting Party shall, in accordance with its laws and regulations, grant all necessary permits for the realization of such an investment.

**ARTICLE 4  
NATIONAL TREATMENT AND MOST-FAVOURLED  
NATION PROVISIONS**

1. Investments of natural and legal persons 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 that accorded to its own investors or to the investors of any third state who are in a comparable situation.

2. Neither Contracting Party shall in its territory subject investors of the other Contracting Party, as regards their management, maintenance, use, enjoyment or disposal of their investments, to treatment less favourable than that which it accords to its own investors or to investors of any third State.

3. If a Contracting Party has accorded or shall accord in future special advantages or rights to investor(s) 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 arrangement 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 laws of either Contracting Party, or obligations under international agreements existing at present or established hereafter between the Contracting Parties in addition to the present Agreement contain rules, whether general or specific, entitling investments by investors of the other Contracting Party to a treatment more favourable than is provided for by the present Agreement, such rules shall, to the extent that they are more favourable, prevail over the present 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 effective and appropriate compensation is envisaged. The amount of compensation shall be paid without delay.

2. The amount of compensation shall be equivalent to the value of the investment immediately before the action of nationalization, confiscation or expropriation was taken.

3. In case of delay in the payment of the compensation, the investor and the host state shall negotiate and agree on the financial compensation for the delay period.

**ARTICLE 7  
LOSSES**

Investors of either Contracting Party whose investments suffer losses due to war or any other 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 country. Any resulting payments, if any, shall be freely transferable.

**ARTICLE 8  
REPATRIATION AND TRANSFER**

1. Each Contracting Party shall, in accordance with its laws and regulations, permit in good faith the following transfers

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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 Articles 7 and /or 8 of this Agreement;
- (e) loan installments related to an investment provided that they are paid out of such investment activities;
- (f) monthly salaries and wages received by the employees of an investor who have obtained in the territory of the host Contracting Party, the corresponding work permits related to that investments;
- (g) payments arising from a decision of the authority referred to in Article 11.

2.The above transfers shall be effected in a convertible currency and at the current rate of exchange in accordance with the exchange regulations prevailing on the date of transfer.

3.The investor and the host Contracting Party may agree otherwise on the manner 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 subrogee 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 APPLICATION**

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

#### **ARTICLE 11 SETTLEMENT OF DISPUTES BETWEEN A CONTRACTING PARTY AND INVESTOR(S) OF THE OTHER CONTRACTING PARTY**

1.If any dispute arises between the host Contracting Party and investor(s) of the other Contracting Party with respect to an investment, the host Contracting Party and the investor(s) shall primarily endeavour to settle the dispute in an amicable manner through negotiation and consultation.



2. In the event that the host Contracting Party and the investor(s) can not agree within 4 months from the date of notification of the claim by one party to the other, either of them may refer the dispute to:

- (a) the competent courts of the Contracting Party in the territory of which the investment has been made; or
- (b) the International Center for Settlement of Investment Disputes (ICSID) provided for by the Convention on the Settlement of Investment Disputes between States and Nationals of the other States, done at Washington, on March 18, 1965; as soon as both Contracting Parties become members to that convention.
- (c) an ad-hoc arbitral tribunal which, unless otherwise agreed upon by the parties to the dispute, shall be established under the arbitration rules of the United Nations Commission on International Trade Law (UNCITRAL).

3. A dispute primarily referred to the competent courts of the host Contracting Party, as long as it is pending, cannot be referred to arbitration save with the parties agreement; and in the event that a final judgment 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 winning party to seek for the enforcement of the arbitral award before national courts.

**ARTICLE 12  
SETTLEMENT OF  
DISPUTES BETWEEN THE  
CONTRACTING PARTIES**

1. All disputes arising between the Contracting Parties relating to the interpretation or application of this Agreement shall, in the first place, be settled amicably by consultation. In case of disagreement, within six months either Contracting Party may subject to its laws and regulations, while sending a notice to the other Party, refer the case to an arbitral tribunal of three members consisting of two arbitrators appointed by the Contracting Parties and an chairman.

In case the dispute is referred to the arbitral tribunal, either Contracting Party shall appoint an arbitrator within sixty days from the receipt of the notification and the arbitrators appointed by the Contracting parties shall appoint the chairman within sixty days from the date of last appointment. If either Contracting Party does not appoint its own arbitrator or the appointed arbitrators do not agree on the appointment of the chairman within the said periods, each Contracting Party may request the President of the International Court of Justice, to appoint the arbitrator of the failing party or the chairman, as the case may be.

However the chairman shall be a national of a state having diplomatic relations with both Contracting Parties at the time of the appointment.

2. In case the chairman is to be appointed by the President of the International Court of Justice, if the President 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. Subject to other provisions agreed by the Contracting Parties, the arbitral tribunal shall determine its procedure and the place of arbitration.

4. The arbitral tribunal shall reach its decision by a majority of votes. Such decision shall be binding on both Contracting Parties. Each Contracting Party shall bear the cost of its own member of the tribunal and of its representation in the arbitral proceedings; the cost of the Chairman and the remaining costs shall be borne in equal parts by the Contracting Parties. The tribunal may, however, in its decision direct that a higher proportion of costs shall be borne by one of the two Contracting Parties, and this award shall be final and binding on both Contracting Parties. The tribunal shall determine its own procedure.

### **ARTICLE 13 VALIDITY OF THE AGREEMENT**

1. This Agreement shall be ratified by the each Contracting Party in accordance with their laws and regulations.

2. This Agreement shall enter into force for a period of ten years after 30 days from the date of the last notification of either Contracting Party to the other Contracting party that it has fulfilled necessary measures in accordance with its laws and regulations for the entry into force of this Agreement. After the said period, this Agreement shall remain in force thereafter unless one of the Contracting Parties notifies the other Contracting Party in writing of its unwillingness to continue

with it , six months prior to the expiration or termination thereof .

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 THE TEXTS**


This Agreement is done in duplicate in the Arabic, Persian and English languages, all texts being equally authentic. In case of divergence of interpretation the English text shall prevail.

Signed in Tehran on 19th October 2002 corresponding to 27 Mehr 1381 by representatives of the Government of the kingdom of Bahrain and the Government of the Islamic Republic of Iran.

**For the  
Government of the  
Kingdom of Bahrain**

  
**Abdullah Hassan Saif  
Minister of Finance  
and national Economy**

**For the  
Government of the  
Islamic Republic of Iran**

  
**Tahmasb Mazaheri  
Minister of Economic  
Affairs and Finance**