The Government of the State of Bahrain and the Government of the Republic of the Philippines, hereinafter referred to as the Contracting Parties;

DESIRING to intensify economic co-operation between both States;

INTENDING to create favourable conditions for investments by nationals and companies of one Contracting Party in the territory of the other Contracting Party, and to increase prosperity in their respective territories; and

RECOGNIZING that encouragement and protection of such investments will benefit the economic prosperity of both States;

HAVE AGREED AS FOLLOWS:

ARTICLE 1

PROMOTION AND ACCEPTANCE

1. Each Contracting Party shall promote as far as possible investments in its territory by nationals and companies of the other Contracting Party and shall admit such investments in accordance with its Constitution, laws and regulations.

2. Investments of investors of either Contracting Party shall at all times be accorded fair and equitable treatment and shall enjoy adequate protection and security in the territory of the other Contracting Party. Neither Contracting Party shall in any way impair by unreasonable or discriminatory measures the management, maintenance, use, enjoyment or disposal of investments in its territory of investors of the other Contracting Party. Each Contracting Party shall observe any obligation it may have entered into with regard to investments of investors of the other Contracting Party.

ARTICLE 2

DEFINITION OF TERMS

For the purposes of this Agreement:

1. The term “investment” shall mean any kind of asset accepted in accordance with the respective laws and regulations of either Contracting Party, and more particularly, though not exclusively:

a) movable and immovable property as well as other rights in rem, such as mortgages, liens, or pledges, usufructs and similar rights as defined in accordance with the laws and regulations of the Contracting Party in whose territory the property is situated.

b) shares, stocks , and debentures of companies or other kinds of participation in the property of such companies;

c) claims to money utilized for the purpose of creating an economic value or to any performance having an economic value;

d) copyrights, industrial property rights, technical processes, know-how, trademarks and tradenames;

e) business concessions conferred by law or under contract, including concessions to search for, extract or exploit natural resources.

Any admitted alteration of the form in which assets are invested shall not affect their classification as an investment provided that such alteration does not contradict the laws of the Contracting Party in the territory of which the investments are made.

2. The term “investors” shall mean:

a) with respect to the State of Bahrain are natural persons deriving their status as nationals of either Contracting Party according to its applicable law; and individuals who, with respect to the Republic of the Philippines, are citizens of the Philippines within the meaning of its Constitution,

b) with respect to both countries, legal entities, including companies, associations of companies, trading corporate entities and other organizations that are incorporated or, in any event, are properly organized and actually doing business in accordance with the laws of the Contracting Parties.

3. The term “territory” shall mean:

a) with respect to the State of Bahrain its sovereign territory including the territorial sea, the continental shelf, any exclusive economic zone over which it exercises sovereign rights and jurisdiction in accordance with International Law.

b) with respect to the Republic of the Philippines, the national territory as defined in Article 1 of its Constitution.

4. The term “nationals” shall mean:

a) with respect to the State of Bahrain national persons deriving their status as Bahraini nationals under the applicable laws of Bahrain.

b) with respect to the Republic of the Philippines, citizens of the Philippines within the meaning of Article IV of its Constitution.

5. The term “companies” shall mean corporations, partnerships or other associations, incorporated or constituted in accordance with the laws of the Contracting Parties. Provided that any particular company may be excluded from the foregoing definition by mutual agreement between the Contracting Parties on the grounds of the need to maintain public order, to protect essential security interests or to fulfill commitments relating to peace and security.

6. The term “returns” shall mean the amount yielded by an investment for a definite period of time as profits, interest, capital gains, dividends, royalties, fees and other legitimate returns.

7. The term “market value” shall mean the value of property immediately prior to expropriation or immediately before it was publicly announced and shall be determined in accordance with internationally acknowledged practices and methods.

ARTICLE 3

TREATMENT

1. Each Contracting Party shall in its territory accord investments of nationals or companies of the other Contracting Party treatment not less favourable than that which it accords to investments or returns on investments of nationals or companies of any third State.

2. Each Contracting Party shall in its territory accord the nationals or companies of the other Contracting Party, as regards management, maintenance, use, enjoyment, or disposal of their investments, treatment not less favourable than that which it accords to nationals or companies of any third State.

3. The provisions of this Agreement relative to the grant of treatment not less favourable than that accorded to the nationals or companies of any third State shall not be construed as to oblige one Contracting Party to extend to the nationals or companies of the other benefit of any treatment, preference or privilege resulting from:

a) any existing or future customs union, common market, free trade area, or regional economic organization or measures leading to the formation of a customs union or free trade area of which either Contracting Party is or may become a member; or

b) any international agreement or arrangement relating wholly or mainly to taxation.

ARTICLE 4

EXPROPRIATION

1. Each Contracting Party shall not take measures of expropriation, nationalisation or dispossession, or any other measure equivalent thereto against investments belonging to nationals or companies of the other Contracting Party, unless the measures are taken in the public interest, public use or in the interest of the national defense on a non-discriminatory basis and under due process of law and upon payment of just compensation.

2. Such compensation shall amount to the market value of the expropriated investment immediately before the impending expropriation becomes public knowledge. The compensation shall be made without undue delay, and shall be effectively realisable, and in freely transferable currencies.

ARTICLE 5

COMPENSATION

If a Contracting Party makes restitution, indemnification, compensation or other settlement for losses suffered owing to war, revolution, state of the national emergency, revolt, insurrection, riot, or other armed conflicts in the territory of such Contracting Party, it shall accord to the nationals or companies of the other Contracting Party whose investments in the territory of the former have suffered such losses, treatment no less favourable than that which the Contracting Party shall accord to its own investors nationals or investors and nationals or companies of any third State whichever is more favourable to the investor

concerned. Resulting payments shall be effectively realizable, freely transferable and in freely transferable currencies.

ARTICLE 6

TRANSFERS

Each Contracting Party shall in respect of investments guarantee to investors of the other Contracting Party, subject to any rules and regulations of their respective Central Banks, the free transfer of their investments and returns. Transfers shall be effected without delay in the convertible currency in which the capital was originally invested or in any other convertible currency agreed by the investors and the Contracting Party concerned. Unless otherwise agreed by the investors transfers shall be made at the rate of exchange applicable on the date of transfer pursuant to the exchange regulations in force.

ARTICLE 7

SUBROGATION

1. If the investments of an investor of the Contracting Party are insured against non-commercial risks under a system established by law, any subrogation of the insurer or re-insurer to the rights of the said investor pursuant to the terms of such insurance shall be recognised by the other Contracting Party, provided however that the insurer or re-insurer shall not be entitled to exercise any rights other than the rights which the investor would have been entitled to exercise.

2. If one Contracting Party or its designated agency makes a payment to any of its investors under an indemnity given in respect of an investment in the territory of the other Contracting Party, the latter Contracting Party shall recognise the assignment to the former Contracting Party or its designated agency by law or by local transaction of all the rights and claims of the party indemnified and that the former Contracting Party or its designated agency is entitled to exercise such rights and enforce such claims by virtue of subrogation, to the same extent as the party indemnified. The former Contracting Party or its designated agency shall be entitled in all circumstances to the same treatment in respect of the rights and claims acquired by it by virtue of the assignment and any payments received in pursuance of those rights and claims as the party indemnified was entitled to receive by

virtue of this Agreement in respect of the investment concerned and its related returns.

ARTICLE 8

CONSULTATION

1. The Contracting Parties agree to consult each other at the request of either Contracting Party on any matters relating to investment between the two countries, or otherwise affecting implementation of this Agreement.

2. This Agreement may be amended in writing at any time, if deemed necessary, by mutual consent of the Contracting Parties.

ARTICLE 9

SETTLEMENT OF DISPUTES BETWEEN A CONTRACTING PARTY AND A NATIONAL OF ANOTHER CONTRACTING PARTY

1. All kinds of disputes or differences, including disputes over the amount of compensation for expropriation or similar measures, between a Contracting Party and a national or company of the other Contracting Party concerning an investment or return of investment of that national or company in the territory of the other shall be settled amicably through negotiation.

2. If such disputes or differences cannot be settled according to the provisions of paragraph (1) of this Article within three months from the date of request for settlement, the national or company concerned may submit the dispute to:

a) the competent court of the Contracting Party for decision; or

b) the International Center for the Settlement of Investments Disputes established under the Convention on the Settlement of Investment Disputes between States and Nationals of other States, of March 18, 1965 done in Washington, D.C. ; or

c) an ad-hoc arbitral tribunal in accordance with the arbitration rules of the United Nations Commission on International Trade Law of 1976.

Any judicial decision or arbitral awards shall be final and binding on the parties to the dispute and each Contracting Party shall execute such decisions or awards in accordance with its laws.

ARTICLE 10

SETTLEMENT OF DISPUTES BETWEEN CONTRACTING PARTIES

1. Disputes between the Contracting Parties concerning the interpretation and application of this Agreement shall be settled, as far as possible, through friendly consultations by both parties through diplomatic channels.

2. If such disputes cannot be settled within twelve (12) months or within such other reasonable time as the Contracting Parties may agree in writing, from the date on which either Contracting Party informs in writing the other Contracting Party, such disputes shall be submitted for settlement to an ad hoc international arbitral tribunal.

3. The above mentioned ad hoc international arbitral tribunal shall be established as follows: The arbitral tribunal is composed of three arbitrators. Each Contracting Party shall appoint one arbitrator, the two arbitrators shall propose by mutual agreement the third arbitrator who is a national of a third State which has diplomatic relations with both Contracting Parties, and the third arbitrator shall be appointed as Chairman of the tribunal by both Contracting Parties. The Chairman shall be appointed within sixty (60) days from the date of appointment of the other two members.

4. If the appointments of the members of the Arbitral Tribunal are not made within a period of six months from the date of request for arbitration, either Contracting Party may, in the absence of any court arrangement, invite the President of the International Court of Justice to make the necessary appointments within three months. Should the President be a national of one Contracting Party or should he not be able to perform this designation because of any other reasons, this task shall be entrusted to the Vice-President of the Court, or to the next senior Judge of the Court who is not a national of either Contracting Party.

5. The Arbitral Tribunal shall determine its own procedure. The Arbitral Tribunal shall decide its award by majority of votes. Such award is final and binding upon the Contracting Parties.

6. Each Contracting Party shall bear the cost of its own member of the panel and its representation in the Arbitral Tribunal proceedings. The costs 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.

ARTICLE 11

APPLICATION

1. The provisions of this Agreement shall apply irrespective of the existence of diplomatic or consular relation between the two Contracting Parties.

2. If the provisions of law of either Contracting Party or obligations under international law existing at present or established hereafter between the Contracting Parties in addition to the present Agreement contain a regulation, 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 regulation shall to the extent that it is more favourable prevail over the present Agreement.

3. This Agreement shall apply to all investments whether made before or after the date of entry into force of this Agreement, but the provisions of this Agreement shall not apply to any dispute, claim or difference that arose before its entry into force.

ARTICLE 12

ENTRY INTO FORCE, DURATION AND TERMINATION

1. This Agreement shall enter into force on the first day of the following month after the date of the later notification by the Contracting Parties in writing, through diplomatic channels, that their internal legal requirements for the entry into force of the Agreement have been complied with.

2. This Agreement shall remain in force for a period of ten (10) years. It shall remain in force thereafter until either Contracting Party notifies the other Contracting Party in writing of this intention to terminate this Agreement. The notice of termination shall become effective one year after the date of notification.

3. In respect of investments made prior to the date when the notice of termination of this Agreement becomes effective, the provisions of Articles 1 to 11 shall remain in force for a

further period of ten (10) years from the date of termination of the present Agreement.

IN WITNESS WHEREOF, the undersigned and duly authorized representatives of their respective Governments, have signed this Agreement.

Done in duplicate at Manila, Philippines on this 7th day of November 2001 in the Arabic and English languages, both texts being equally authentic. In case there is any divergence of interpretation between the Arabic and the English texts, the English text shall prevail.

FOR THE GOVERNMENT
THE KINGDOM OF BAHRAINOF
ABDULLAH HASSAN SAIF
Minister of Finance and National Economy

FOR THE GOVERNMENT OF THE
REPUBLIC OF THE PHILIPPINES
TEOFISTO T. GUINGONA, JR
Secretary of Foreign Affairs