AGREEMENT
BETWEEN
THE GOVERNMENT OF THE KINGDOM OF BAHRAIN
AND
THE GOVERNMENT OF THE ITALIAN REPUBLIC
ON THE PROMOTION
AND
PROTECTION OF INVESTMENTS

The Government of the Kingdom of Bahrain and The Government of the Italian Republic (hereinafter referred to as the "Contracting Parties");

Desiring to establish favourable conditions for improved economic co-operation between the two countries, and especially in relation to capital investment by investors of one Contracting Party in the territory of the other Contracting Party; and

Acknowledging that offering encouragement and mutual protection to such investment will contribute to stimulate business ventures, which foster the prosperity of both Contracting Parties,

Hereby have agreed as follows:

ARTICLE 1
Definitions

For the purposes of this Agreement, and unless otherwise stated in this Agreement:

1. The term "investment " means any kind of property invested, before or after the entry into force of this Agreement, by any investor of a Contracting Party in the territory of the other Contracting Party, in conformity with the laws and regulations of that party, irrespective of the legal form and framework chosen.

   Without limiting the generality of the foregoing, the term "investment" comprises in particular, but not exclusively:

   (a) movable and immovable property as well as any other similar rights, such as mortgages, liens and pledges;

(b) shares, debentures, equity holdings or any other instruments of credit, as well as Government and public securities in general;

(c) claims to money or any contractual right having an economic value connected with an investment, as well as reinvested incomes and capital gains;

(d) copyright, commercial trade marks, patents, industrial designs and other intellectual and industrial property rights, know-how, trade secrets, trade names and goodwill; and

(e) any economic rights accruing by law or by contract and any licence and franchise granted in accordance, with the provisions in force on economic activities, including the right to prospect for, extract and exploit natural resources.

Any alteration of the form in which assets are invested shall not affect their classification as investments, provided that such alteration is not in conflict with the legislation of the Contracting Party in whose territory the investments are made.

2. The term "investor" means any natural or legal person or the Government of a Contracting Party investing in the territory of the other Contracting Party as well as any foreign subsidiaries and affiliates and branches controlled in anyway by the above natural and legal persons.

3. The term "natural person", in reference to either Contracting Party, means any natural person holding the nationality of that Party state in accordance with its laws.

4. The term "legal person" in reference to either Contracting Party, means any entity registered in the territory of one of the Contracting Parties, such as public institutions, corporations, partnerships, foundations and associations, regardless of whether their liability is limited or otherwise.

5. The term "returns" means the amounts yielded by an investment such as profits, dividends, interest, royalties or fees as well as any other payments in kind.

6. The term "territory" means:

i. for 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;

ii. for Italy the territory of the Italian Republic and its maritime area, that includes the territorial sea and the continental shelf, over which Italy, in accordance with international law exercises sovereignity and sovereign or jurisdictional rights.

7. The term "investment agreement" means an agreement between a Contracting Party or its agencies, and an investor of the other Contracting Party concerning an investment.

ARTICLE 2
Promotion and Protection of Investments

1. Each Contracting Party shall in its territory promote investments made by investors of the other Contracting Party and admit such investments in accordance with its legislation. It shall in any case accord such investments fair and equitable treatment in accordance with the principles of International Law.

2. Neither Contracting Party shall in any way impair by arbitrary or discriminatory measures the management, maintenance use or enjoyment of investments in its territory of investors of the other Contracting Party.
Each Contracting Party shall create and maintain, in its territory a legal framework apt to guarantee to investors the continuity of legal treatment, including the compliance, in good faith, of all undertakings assumed with regard to each specific investor.

3. After the date when the investment is made, any modifications in laws, regulation acts or measures of economic policies governing directly or indirectly, the investment shall not be applied retrospectively and the investments made under this agreement shall thereafter be protected.

ARTICLE 3
National Treatment and The Most Favoured Nation Provisions

1. Neither Contracting Party shall subject investments and returns in its territory owned or controlled by investors of the other Contracting Party to treatment less favourable than it accords to investments and returns of its own investors or to investments and returns of investors of any third State.

2. Neither Contracting Party shall subject investors of the other Contracting Party, as regards their activity in connection with investments in its territory to treatment less favourable than it accords to its own investors or to investors of any third State.

3. Such treatment shall not relate to privileges which either Contracting Party accords to investors of third States on account of its membership of, or association with any existing or future customs or economic union, a common market or a free trade area or any other form of regional Economic Organisation, as well as cross border trade agreements.

4. The provisions of this Article do not apply to tax matters.

ARTICLE 4
Compensation For Damages or Losses

1. Investors of one Contracting Party whose investments in the territory of the other Contracting Party suffer losses owing to war or other armed conflict, revolution, state of national emergency, revolt, insurrection or riot in the territory of the latter Contracting Party shall be accorded by the latter Contracting Party treatment, as regards restitution, indemnification, compensation or other settlement, no less favourable than that which the latter Contracting Party accords to national investors. Any resulting payments shall be freely transferable.

2. Without prejudice to paragraph 1 herein, investors of one Contracting Party who in any of the situations referred to in that Article suffer losses in the territory of the other Contracting Party resulting from:

   (a) the requisitioning of their property by its forces or authorities; or

(b) the destruction of their property by its forces or authorities, which was not caused in combat action or was not required by the necessity of the situation

shall be accorded restitution or adequate compensation. Any resulting payments shall be freely transferable.

ARTICLE 5
Nationalisation or Expropriation

1. Investment by investors of either Contracting party shall enjoy full protection and security in the territory of the other Contracting Party.

2. Investments by investors of either Contracting Party shall not be, directly or indirectly, expropriated, nationalised or subjected to any other measure, the effects of which would be tantamount to expropriation or nationalisation in the territory of the other Contracting Party, except for the public interest and against full and effective compensation. Such compensation shall be equivalent to the market value of the expropriated investment immediately before the date on which the actual or threatened expropriation, nationalisation or comparable measure has been announced or publicly known. The compensation shall be paid without undue delay and shall carry interest calculated an the basis of EURIBOR standards, until the time of payment it shall be effectively realisable and freely transferable. Provisions shall have been made in an appropriate manner at or prior to the time of expropriation, nationalisation, or comparable measure for the determination and payment of such compensation.

4. Compensation will be considered as actual if it will have been paid in the same currency in which the investment has been made by the foreign investor, in as much as such currency is or, remains convertible, or, otherwise, in any other currency accepted by the investor.

5. Compensation will be considered as timely if it takes place without undue delay and, in any case, within six months.

6. A national or company of either Party that asserts that all or part of its investment has been expropriated shall have a right to prompt review by the appropriate judicial or administrative authorities of the other Party to determine whether compensation of such expropriation is in conformity to the laws and regulations of the expropriating party.

7. If, after the dispossession, the property concerned has not been utilised, wholly or partially, for that purpose, the owner or his assignees are entitled to repurchase of goods at the then market price.

ARTICLE 6
Repatriation of Capital, Profits and Returns

Each Contracting Party shall guarantee to investors of the other Contracting Party the free transfer of payments in connection with an investment, in particular, but not exclusively:

(a) the principal and additional amount to maintain or increase the investment;
(b) the returns;
(c) the repayment of loans;
(d) the proceeds from the liquidation or the sale of the whole or any part of the investment;
(e) the compensation provided for in Articles 4, 5, 6 and 7; and
(f) remuneration and allowances paid to their nationals or foreign employees for work and services performed in relation to an investment effected in the territory of the other Contracting Party.

Unless otherwise agreed by the investors transfers shall be made at the rate of exchange applicable on the date of request pursuant to the exchange regulations in force.

ARTICLE 7
Subrogation

If either Contracting Party makes a payment to any of its investors under a guarantee it has assumed in respect of an investment in the territory of the other Contracting Party, the latter Contracting Party shall, without prejudice to the rights of the former Contracting Party under Article 11, recognise the assignment, whether, under a law or pursuant to a legal transaction, of any right or claim of such national, or company to the former Contracting Party. The latter Contracting Party shall also recognise the subrogation of the former Contracting Party to any such right or claim which that Contracting Party shall be entitled to assert to the same extent as its predecessor in title. As regards the transfer of payments made by virtue of such assigned claims, Articles 4 and 5 as well as Article 6 shall apply.

ARTICLE 8
Transfer Procedures

The transfers referred to in Articles 4, 5, 6 and 7 shall be effected without undue delay and, at all events, within six months after all fiscal obligations provided by the law of the Contracting Parties have been fulfilled, and shall be made in a convertible currency.

All the transfers shall be made at the prevailing exchange rate applicable on the date on which the investor, applies for the related transfer.

ARTICLE 9
New Regulations

If the legislation of either Contracting Party or obligation under International Law existing at present or established hereafter between the Contracting Parties in addition to this 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 this Agreement, such regulation shall, to the extent that it is more favourable, prevail over this Agreement.

ARTICLE 10
Settlement of Disputes between an Investor of One Contracting Party and the Other Contracting Party

1. Any legal dispute arising directly out of an investment or on the amount of compensation between an investor of one Contracting Party and the other Contracting Party shall be settled amicably, if possible.

2. In case the investor and an entity of one of the Contracting Parties have stipulated an investment agreement, the dispute resolution procedure foreseen in such investment agreement, if any shall, apply.

3. If this dispute has not been settled within a period of six months from the date of the written application for settlement, the investor at his choice may submit the dispute for settlement to:

(a) The competent court of the Contracting Party in whose territory in the investment has been made; or

(b) The International Centre for Settlement of investment Disputes (ICSID) provided for by the Convention on the Settlement of Investment Disputes between States and Nationals of other States, done at Washington on 18 March, 1965 if this Convention is applicable; or

(c) An Arbitration Tribunal which unless otherwise agreed upon by the parties to the dispute shall be held in compliance with the arbitration regulations of the UN Commission on International Trade Law (UNCITRAL), the host Contracting Party hereby undertaking to accept the reference to said the UNCITRAL rules of arbitration. The investors choice of method to settle the dispute shall be final and binding.

4. The Arbitration Tribunal specified under paragraph 3(c) shall be established as follows:

(a) Each party to the, dispute shall appoint one arbitrator, and the two arbitrators thus appointed shall appoint by mutual consent a third arbitrator, who must be a national of a third State having diplomatic relations with both Contracting Parties, and who shall be designated as Chairman of the Tribunal by the two parties. All the arbitrators must be appointed within two months from the date of notification by one party to the other party of its intention to submit the dispute to arbitration.

(b) If the period specified in paragraph 4(a) has not been respected, in the absence of any other agreement the appointment of the arbitrators when necessary pursuant to the UNCITRAL rules will be made by the President of the Arbitration Court in the International Chamber of Commerce in Paris, in his capacity as Appointing Authority. The Arbitration will take place in the Hague (Netherlands) in the English language, unless the two parties in the arbitration have agreed otherwise.

(c) The Tribunal shall reach its decisions by a majority of votes. These decisions shall be final and legally binding upon the Parties and shall be enforced in accordance with their domestic laws. They shall be taken in conformity with the provisions of this Agreement, the laws of the Contracting Party to the dispute and the principles of International Law.

5. The Contracting Party which is a party to the dispute shall, at no time whatsoever during the procedures involving investment disputes, assert as a defence its sovereign immunity or the fact that the investor has received compensation under an insurance contract covering the whole or part of the incurred damage or loss.

ARTICLE 11
Settlement of Disputes between Contracting Parties

1. Disputes relating to the interpretation, application or termination of this Agreement shall be settled if possible through diplomatic channels.

2. If the dispute has not been settled within a period of six months from the date on which the matter was raised in writing by either Contracting Party, it may be submitted at the request of either Contracting Party to an Arbitration Tribunal.

3. The said Arbitration Tribunal shall be created as follows for each specific case. Each Contracting Party shall appoint one arbitrator, and the two arbitrators thus appointed shall appoint by mutual agreement a national of a third country, who shall bc designated as Chairman of the Arbitration Tribunal by the two Contracting Parties. All the arbitrators must be appointed within three months from the date of notification by one Contracting Party to the other Contracting Party of its intention to submit the dispute disagreement to arbitration.

4. If, within the period specified in paragraph 3 of this Article, the appointments have not been made, each of the two Contracting Parties can, in default of other arrangements, ask the President of the International Court of Justice to make the appointment. In the event that the President of the Court is a national of one of the Contracting Parties or it is, for any reason, impossible for him to mate the appointment the application shall be made to the Vice President of the Court. If the Vice-President of the Court is a national of one of the Contracting Parties, or is unable to make the

appointment for any reason, then the most senior member of the International Court of Justice, who is not a national of one of the Contracting Parties, shall be invited to make the appointment.

5. The Arbitration Tribunal shall reach its decisions by a majority of votes. These decisions shall be final and legally binding upon the Contracting Parties.

The Arbitral Tribunal with respect to its procedures shall apply UNCITRAL rules and, in relation to the dispute issue, shall apply the rules of this Agreement and the rules of International Law whenever deemed applicable. The venue of Arbitration shall be the Hague (Netherlands) in the English language.

ARTICLE 12
Application of Other Provisions

1. If a matter is governed both by this Agreement and by another International Agreement to which both Contracting Parties are signatories, or by general international law provisions, the most favourable provisions shall be applied to the Contracting Parties and to their investors.

2. Whenever the, treatment accorded by one Contracting Party to the investors of the other Contracting Parties, according to its laws and regulations or other provisions or specific contract or investment authorisations or agreement, is more favourable than that provided under this agreement, the most favourable treatment shall apply.

3. After the date when the investment has been made, any unfavourable modifications in laws, regulations, acts or measures if economic policies governing directly or indirectly the investment, shall not be a applied retrospectively.

The provisions of this Agreement will not limit the application of any national provisions aimed at preventing fiscal evasion.

ARTICLE 13
Relations Between Governments

The provisions of this Agreement shall be applied irrespective of whether or not the Contracting Parties have diplomatic or consular relations.

ARTICLE 14
Duration and Expiry

1. This Agreement shall be ratified and shall enter into force one month after the date of exchange of the instruments of ratification. It shall be in force for an initial period of ten years and shall remain in force thereafter for a further ten years unless denounced in writing by either Contracting Party twelve months before its expiration.

2. In respect of investments made prior to the date of termination of this Agreement, the provision of Articles 1 to 12 shall continue to be effective for a further period of ten years from the date of termination of this Agreement.

In WITNESS WHEREOF, the undersigned, being duly authorised thereto by their respective Governments, have signed the present Agreement.

Done at Manama on 29 October 2006 in two originals, in the Arabic, Italian and English languages, all texts being equally authentic.
In case of any divergence, the English text shall prevail.

For the Government
of the Kingdom of Bahrain
Ahmed Bin Mohamed Al Khalifa
Minister of Finance

For the Government
of the Italian Republic
Hon. Emma Bonino
Minister of International Trade
and European Affairs

PROTOCOL

On signing the Agreement between the Government of the Italian Republic and the Government of the Kingdom of Bahrain concerning the Encouragement and Reciprocal Protection of Investments, the undersigned Plenipotentiaries have in addition agreed on the following provisions, which shall be regarded as an integral part of the said agreement.

1. Ad Article 1

(a) Returns from the investment and, in the event of their reinvestment, the returns therefrom shall enjoy the same protection as the investment.

(b) Without prejudice to any other method of determining nationality, in particular any person in possession of a national passport issued by the competent authorities of the Contracting Party concerned shall be deemed to be a national of that party.

(c) Each Contracting Party or its designated Agency may stipulate with an investor of the other Contracting Party, an investment agreement which will govern the specific legal relationship related to the investment of the investor concerned.

2. Ad Article 2

(a) Neither of the Contracting Parties without prejudice of their respective laws and regulations, will set any conditions for the creation, the expansion or the continuation of investments, which may imply the taking over or the imposing of any limitation to the sale of the production on domestic and international markets, or which specifies that goods must be procured locally or similar conditions.

(b) Each Contracting Party shall, in accordance with its legislation, permit investors of the other Contracting Party who have made investment in its territory to employ managerial personnel regardless of their nationality.

3. Ad Article 3

(a) The term "activities connected with an investment" shall include inter alia the organisation, control operation, maintenance and disposal of companies, branches, agencies, offices or other organisations for the conduct of business; the receipt of registrations, licenses, permits and other approvals necessary for the conduct of commercial activity; the acquisition, use and disposal of property of all kinds, including intellectual property, as well as the protection there of, the access to the financial market, in particular the borrowing of funds, the purchase, sale and issue of shares and other securities and the purchase of foreign exchange for imports necessary for the conduct of business affairs; the marketing of goods; and services; the procurement, sale and transport of raw and processed materials, energy, fuels and production means; the dissemination of commercial information.

(b) The following shall more particularly, though not exclusively, be deemed "activity" within the meaning of Article 3 (2): the management, maintenance, use and enjoyment of an investment. The following shall in particular be deemed "treatment less favourable" within the meaning of Article 3 restricting the purchase of raw or auxiliary material, of energy or fuel or of means of production or operation of any kind, impeding the marketing of products inside or outside the country, as well as any other measures having similar effects. Measures that have to be taken for reasons of public security and order, public health or morality shall not be deemed "treatment less favourable" within the meaning of Article 3.

(c) Each Contracting Party shall in accordance with its legislation and its international obligations relating to the entry and stay of foreigners, permit the nationals and the employed persons of the other Contracting Party working in connection with an investment under this Agreement, as well as members of their families, to enter into, remain and leave its territory.

4. Ad Article 5

Any measure undertaken towards an investment effected by an investor of one of the Contracting Parties, which subtracts financial resources or other assets from the investment or creates obstacles to the activities, or substantial prejudice to the value of the same investment, as well as any other measure having equivalent

effect, will be considered as one of the measures referred to in paragraph 2 of Article 5.

5. Ad Article 8.

A transfer shall be deemed to have been made "without delay" within the meaning of Article 8 if effected within such period as is normally required for the completion of transfer formalities.

Done at Manama on 29 October 2006 in two originals, each in the Arabic, Italian and English languages, all three texts being equally authentic. In case of any divergence, the English text shall prevail.

For the Government
of the Kingdom of Bahrain
Ahmed Bin Mohamed Al Khalifa
Minister of Finance

For the Government
of the Italian Republic
Hon. Emma Bonino
Minister of International Trade
and European Affairs