

Agreement

between the Kingdom of Birani and the People's Republic of Anchuria
on the Promotion
and Reciprocal Protection of Investment

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The Government of the Kingdom of Birani and the Government of the People's Republic of Anchuria, hereinafter referred to as the "Contracting Parties";

Desiring to create favourable conditions for greater investment by investors of one Contracting Party in the territory of the other;

Recognizing that the encouragement and reciprocal protection under agreement of such investments will be conducive to the stimulation of individual business initiative and will increase prosperity in both territories;

Have agreed as follows:-

ARTICLE 1

Definitions

For the purpose of this Agreement:

- (1) The term of "investor" refers with regard to either Contracting Party to
 - (a) natural persons who, according to the law of that Contracting Party, are considered to be its nationals;
 - (b) legal entities, including companies, corporations, business associations and other organizations, whether government or privately owned, and for profit or not for profit, which are constituted or otherwise duly organised under the law of that Contracting Party and have their seat, together with real economic activities, in the territory of the same Contracting Party;
 - (c) legal entities not established under the law of that Contracting Party but effectively controlled by natural persons as defined in (a) above or by legal entities as defined in (b) above.
- (2) "freely convertible" means free of all currency exchange controls and transferable abroad in any currency;

(3) "investment" means every kind of asset accepted in accordance with applicable law or regulations and in particular, though not exclusively, includes:

- (a) movable and immovable property and any other property rights such as mortgages, liens, pledges or usufructs;
- (b) shares in and stock, bonds and debentures of a company and any other form of participation in a company including a joint venture;
- (c) claims to money or to any performance under contract having a financial value;
- (d) rights in the field of intellectual property, technical processes, know-how and goodwill;
- (e) business concessions or similar rights conferred by law or under contract, including concessions to search for, cultivate, extract or exploit natural resources;

A change in the form in which assets are invested does not affect their character as investments;

(4) "returns" means the amounts yielded by an investment and in particular, though not exclusively, includes profit, interest, capital gains, dividends, royalties and fees.

ARTICLE 2

Promotion of Investments

(1) Each Contracting Party shall, within the framework of its laws and regulations, encourage investors of the other Contracting Party to make investments in its territory by creating favourable conditions for such investments and, subject to its right to exercise powers conferred by its laws and regulations, shall admit such investments.

(2) Each Contracting Party shall grant all necessary permits in connection with such an investment and with the carrying out of licensing agreements and contracts for technical, commercial or administrative assistance.

ARTICLE 3

Treatment and Protection of Investments and Returns

(1) Investments and returns of investors of each Contracting Party shall at all times be accorded fair and equitable treatment and shall enjoy full protection and legal security in the territory of the other Contracting Party in accordance with the rules of customary international law.

(2) Each Contracting Party shall in its territory accord investments or returns of investors of the other Contracting Party treatment not less favourable than that which it accords to investments or

returns of its own investors or to investments or returns of investors of any other State, whichever is more favourable to the investor concerned.

(3) Each Contracting Party shall in its territory accord investors of the other Contracting Party, as regards their management, maintenance, use, enjoyment or disposal of their investments, treatment not less favourable than that which it accords to its own investors or to investors of any other State, whichever is more favourable to the investor concerned.

(4) If the legislation of either Contracting Party entitles investments by investors of the other Contracting Party to treatment more favourable than is provided for by this Agreement, such legislation shall to the extent that it is more favourable prevail over this Agreement.

ARTICLE 4

Compensation for 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, a 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 its own investors or investors of any other State whichever is more favourable to the investor concerned. Resulting payments shall be freely convertible.

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

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

(b) 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 reasonable compensation. Resulting payments shall be freely convertible.

ARTICLE 5

Expropriation

(1) Investors of either Contracting Party shall not be deprived of their investments nor subjected to measures having effect equivalent to such deprivation in the territory of the other Contracting Party except lawfully, on a non-discriminatory basis, for a public purpose related to the internal needs of that Party, and against compensation. Such compensation shall amount to the real value of the investment immediately before the deprivation or before the impending deprivation became public knowledge whichever is the earlier, shall include interest at a normal commercial

rate until the date of payment, shall be made without undue delay, be effectively realizable and be freely convertible. The investor affected shall have a right, under the law of the Contracting Party making the deprivation, to prompt review by judicial or other independent authority of that Party, of the investor's case and of the valuation of the investment in accordance with the principles set out in this paragraph.

(2) Where a Contracting Party expropriates the assets of a company which is incorporated or constituted under the law in force in any part of its territory, and in which investors of the other Contracting Party own shares, it shall, to the extent necessary and subject to its laws, ensure that compensation according to paragraph (1) of this Article will be made available to such investors.

ARTICLE 6

Transfer of Investments and Returns

(1) Each Contracting Party shall in respect of investments guarantee to investors of the other Contracting Party the unrestricted right to transfer their investments and returns abroad.

(2) Each Contracting Party shall also guarantee to investors of the other Contracting Party the unrestricted right to transfer funds to maintain or increase the investment or to repay loans contracted or to meet other contractual obligations undertaken in connection with the investment.

(3) Transfers of currency shall be effected without delay in any convertible currency. Unless otherwise agreed by the investor transfers shall be made at the rate of exchange applicable on the date of transfer.

ARTICLE 7

Exceptions

The provisions in this Agreement relative to the grant of treatment not less favourable than that accorded to the investors of either Contracting Party or to investors of any other State shall not be construed so as to oblige one Contracting Party to extend to the investors of the other the benefit of any treatment, preference or privilege resulting from any agreement establishing a free trade territory, a customs union or a common market or any international agreement or arrangement relating wholly or mainly to taxation. Nor, while both Contracting Parties recognize the obligation to grant treatment in accordance with Article 3 (1) of this Agreement, shall either Contracting Party be obliged to apply such provisions in relation to domestic legislation related wholly or mainly to taxation.

ARTICLE 8

Subrogation

(1) If one Contracting Party or its designated Agency makes a payment under an indemnity given in respect of an investment in the territory of the other Contracting Party, the latter Contracting Party shall recognize the assignment to the former Contracting Party or its designated Agency by law or by legal transaction of all the rights and claims of the indemnified investor 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 that investor.

(2) 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 indemnified investor was entitled to receive by virtue of this Agreement in respect of the investment concerned and its related returns.

(3) Any payments received by the former Contracting Party or its designated Agency in pursuance of the rights and claims acquired shall be freely convertible. Such payments shall also be freely available to the former Contracting Party for the purpose of meeting any expenditure incurred in the territory of the latter Contracting Party.

ARTICLE 9

Application

The provisions of this Agreement shall apply to investments by investors of one Contracting Party in the territory of the other Contracting Party, whether made before or after the date of entry into force of this Agreement.

ARTICLE 10

Other obligations

Each Contracting Party shall observe any obligation it may have entered into with regard to investments of investors of the other Contracting Party.

ARTICLE 11

Settlement of Investment Disputes

(1) A dispute between an investor of one Contracting Party and the other Contracting Party concerning an investment of the former in the territory of the latter which has not been settled amicably, shall, after a period of six months from written notification of the claim, be submitted

to the International Centre for Settlement of Investment Disputes, established pursuant to the Convention on the Settlement of Investment Disputes between States and Nationals of Other States (the “ICSID Convention”). In respect of any matter pertaining to the claim that is not regulated by this Agreement, the ICSID Convention shall govern.

(2) If consultations do not result in a solution within six months from the date of request for consultations and if the investor concerned gives a written consent, the dispute shall be submitted to the International Centre for Settlement of Investment Disputes. Each party may start the procedure by addressing a request to that effect to the Secretary-General of the Centre as foreseen by Articles 28 and 36 of the abovementioned Convention. Should the parties disagree on whether conciliation or arbitration is the most appropriate procedure, the investor concerned shall have the choice. The Contracting Party which is party to the dispute can, at no time whatsoever during the settlement procedure or the execution of the award, allege the fact that the investor has received, by virtue of an insurance contract, a compensation covering the whole or part of the incurred damage.

(3) A Tribunal may order an interim measure of protection to preserve the rights of a disputing party, or to ensure that the Tribunal's jurisdiction is made fully effective, including an order to preserve evidence in the possession or control of a disputing party or to protect the Tribunal's jurisdiction. A Tribunal may not order attachment or enjoin the application of the measure alleged to constitute a breach of this Treaty. For purposes of this paragraph, an order includes a recommendation.

(4) A company which has been incorporated or constituted according to the laws in force in the territory of once Contracting Party and which before a dispute arises was under the majority ownership or control of investors of the other Contracting Party shall, in accordance with Article 25 (2) (b) of the ICSID Convention, be treated as a company of the other Contracting Party.

ARTICLE 12

Disputes between the Contracting Parties

(1) If any dispute arises between the Contracting Parties relating to the interpretation or application of this Agreement, the Contracting Parties shall in the first place try to settle it by negotiation.

(2) If the Contracting Parties fail to reach a settlement of the dispute by negotiation, it may be referred by them to such person or body as they may agree on or, at the request of either Contracting Party, shall be submitted for decision to a tribunal of three arbitrators which shall be constituted in the following manner:

(a) within sixty days after receipt of a request for arbitration, each Contracting Party shall appoint one arbitrator. A national of a State which can be regarded as neutral in relation to the dispute, who shall act as President of the tribunal, shall be appointed as the third

arbitrator by agreement between the two arbitrators, within sixty days of the appointment of the second;

(b) if within the time limits specified above any appointment has not been made, either Contracting Party may request the President of the International Court of Justice, in a personal and individual capacity, to make the necessary appointment within thirty days. If the President considers that he is a national of a State which cannot be regarded as neutral in relation to the dispute, the appointment shall be made by the Vice-President and if he is also disqualified on the same ground the appointment shall be made by the most senior judge of the Court who is not disqualified on that ground.

(3) Except as hereinafter provided in this Article or as otherwise agreed by the Contracting Parties, the tribunal shall determine the limits of its jurisdiction and establish its own procedure.

(4) Except as otherwise agreed by the Contracting Parties or prescribed by the tribunal, each Contracting Party shall submit a memorandum within sixty days after the tribunal is fully constituted. Replies shall be due sixty days later. The tribunal shall hold a hearing at the request of either Contracting Party, or at its discretion, within thirty days after replies were due.

(5) The tribunal shall attempt to give a written decision within thirty days after completion of the hearing or, if no hearing is held, after the date at which the replies were due. The decision shall be taken by a majority vote.

(6) The Contracting Parties may submit requests for clarification of the decision within thirty days after it is received and such clarification shall be issued within thirty days of such request.

(7) The decision of the tribunal shall be final and binding on the Contracting Parties.

(8) Each Contracting Party shall bear the costs of the arbitrator appointed by it. The other costs of the tribunal shall be shared equally by the Contracting Parties including any expenses incurred by the President, the Vice-President or any other judge of the International Court of Justice in implementing the procedures in paragraph 2(b) of this article.

ARTICLE 13

Entry into Force

This Agreement shall enter into force thirty days after the date on which the Parties have notified each other in writing that their respective requirements for the entry into force of this Agreement have been complied with.

ARTICLE 14

Duration and Termination

(1) This Agreement shall remain in force for a period of fifteen years. Unless notice of termination has been given by either Contracting Party at least twelve months before the date of expiry of its validity, the Agreement shall be extended tacitly for periods of ten years, each Contracting Party reserving the right to terminate the Agreement upon notice of at least twelve months before the date of expiry of the current period of validity.

(2) In respect of investments made before the date of the termination of the present Agreement the provisions thereof shall continue to be effective for a further period of fifteen years from that date.

In witness whereof the undersigned, duly authorized thereto by their respective Governments, have signed this Agreement.

Done in duplicate at Biranistadt this 22nd day of September 2008 in English language.

[signed]

For the Government of
Kingdom of Birani

[signed]

For the Government of the
The People's Republic of
Anchuria