

AGREEMENT BETWEEN THE REPUBLIC OF
HUNGARY AND THE PEOPLE'S REPUBLIC OF CHINA
CONCERNING THE ENCOURAGEMENT
AND RECIPROCAL PROTECTION OF INVESTMENTS

The Government of the Republic of Hungary and the Government of the People's Republic of China

Desiring to encourage, protect and create favorable conditions for investment by investors of one Contracting State in the territory of the other Contracting State for mutual benefit and for the purpose of the development of economic cooperation between both States,

Have agreed as follows:

Article 1

For the purpose of this Agreement:

1. The term "investments" means every kind of asset connected with economic activities in accordance with the laws and regulations of the Contracting State accepting the investment in its territory, including mainly:

- /a/ movable and immovable property and other property rights;
- /b/ shares in companies or other forms of interest in such companies;
- /c/ a claim to money or to any performance having an economic value;
- /d/ copyrights, industrial property, know-how and technological process;
- /e/ concessions conferred by law, including concessions to search for or exploit natural resources.

2. The term "investors" means in respect of either Contracting State:

- /a/ natural persons having the nationality of that Contracting State in accordance with its law;
- /b/ economic entities established in accordance with the laws of that Contracting State and domiciled in the territory of that Contracting State.

3. The term "returns" means the amounts yielded by an investment, such as profits, dividends, interests, royalties or other legitimate income.

Article 2

1. Each Contracting State shall encourage investors of the other Contracting State to make investments in its territory and admit such investments in accordance with its laws and regulations.

2. Each Contracting State shall grant assistance in and provide facilities for obtaining visa and working permit to nationals of the other Contracting State to or in the territory of the Former in connection with activities associated with such investments.

Article 3

1. Investments and activities associated with investments of investors of either Contracting State shall be accorded equitable treatment and shall enjoy protection in the territory of the other Contracting State.

2. The treatment and protection referred to in Paragraph 1 of this Article shall not be less favorable than that accorded to investments and activities associated with such investments of investors of a third State.

3. The treatment and protection as mentioned in Paragraphs 1 and 2 of this Article shall not include any preferential treatment accorded by the other Contracting State to investments of investors of a third State based on customs union, free trade zone, economic union, agreement relating to avoidance of double taxation or for facilitating frontier trade.

Article 4

1. Neither Contracting State shall expropriate, nationalize or take similar measures /hereinafter referred to as "expropriation" / against investments of investors of the other Contracting State in its territory, unless the following conditions are met;

a/ the expropriation is made;

a/ in the public interest;

b/ under domestic legal procedure;

c/ without discrimination;

d/ against compensation.

2. The compensation mentioned in Paragraph 1, /d/ of this Article shall be

equivalent to the value of the expropriated investments at the time when expropriation is proclaimed, be convertible and freely transferable. The compensation shall be paid without unreasonable delay.

3. Investors of one Contracting State who suffer losses in respect of their investments in the territory of the other Contracting State owing to war, a state of national emergency, insurrection, riot or other similar events, shall be accorded by the latter Contracting State, if it takes relevant measures, treatment no less favorable than that accorded to investors of a third State.

Article 5

Each Contracting State shall, subject to its laws and regulations, guarantee investors of the other Contracting State the transfer of their investments and returns held in the territory of the one Contracting State, including:

- /a/ profits, dividends, interests and other legitimate income;
- /b/ amounts from total or partial liquidation of investments;
- /c/ payments made pursuant to a loan agreement in connection with investment;
- /d/ royalties in paragraph 1, /d/ of Article 1;
- /e/ payments of technical assistance or technical service fee, management fee;
- /f/ earnings of nationals of the other Contracting State who work in connection with an investment in the territory of the one contracting State.

Article 6

1. The transfer mentioned in Articles 4 and 5 of this Agreement shall be made at the official exchange rate of the Contracting State accepting investment on the date of transfer.

2. Market rate shall be applicable if no official exchange rate is available.

Article 7

If a Contracting State or its Agency makes payment to an investor under a guarantee it has granted to an investment of such investor in the territory of the other Contracting State, such other Contracting State shall recognize the transfer of any right or claim of such investor to the former Contracting State or its Agency and recognize the subrogation of the former Contracting State or its Agency to such right

or claim. The subrogated right or claim shall not be greater than the original right or claim of the said investor.

Article 8

This Agreement shall apply to investments made after January 1, 1973 by investors of either Contracting State in accordance with the laws and regulations of the other Contracting State in the territory of the Latter.

Article 9

1. Disputes between the Contracting States concerning the interpretation or application of this Agreement shall, as far as possible, be settled by consultation through diplomatic channel.

2. If a dispute cannot thus be settled within six months, it shall, upon the request of either Contracting State, be submitted to an ad hoc arbitral tribunal.

3. Such tribunal comprises of three arbitrators. Within two months from the date on which either Contracting State receives the written notice requesting for arbitration from the other Contracting State, each Contracting State shall appoint one arbitrator. Those two arbitrators shall, within further two months, together select a third arbitrator who is a national of a third State which has diplomatic relations with both Contracting States. The third arbitrator shall be appointed by the two Contracting States as Chairman of the arbitral tribunal.

4. If the arbitral tribunal has not been constituted within four months from the date of the receipt of the written notice for arbitration, either Contracting State may, in the absence of any other agreement, invite the President of the International Court of Justice to appoint the arbitrator/s/ who has or have not yet been appointed. If the President is a national of either Contracting State or is otherwise prevented from discharging the said function, the next most senior member of the International Court of Justice who is not a national of either Contracting State shall be invited to make the necessary appointment/s/.

5. The arbitral tribunal shall determine its own procedure. The tribunal shall reach its award in accordance with the provisions of this Agreement, the laws of the Contracting State accepting investment and the principles of international law recognized by both Contracting States.

6. The tribunal shall reach its award by a majority of votes. Such award shall be final and binding on both Contracting States. The arbitral tribunal shall, upon the

request of either Contracting State, explain the reasons of its award.

7. Each Contracting State shall bear the cost of its appointed arbitrator and of its representation in arbitral proceedings. The relevant costs of the Chairman and the tribunal shall be borne in equal parts by the Contracting States.

Article 10

1. Any dispute between either Contracting State and the investor of the other Contracting State concerning the amount of compensation for expropriation, may be submitted to an arbitral tribunal.

2. Such an arbitral tribunal shall be constituted for each individual case in the following way: each party to the dispute shall appoint an arbitrator, and these two shall select a national of a third State which has diplomatic relations with the two Contracting States as Chairman. The first two arbitrators shall be appointed within two months of the written notice for arbitration by either party to the dispute to the other, and the Chairman be selected within four months. If within the period specified above, the tribunal has not been constituted, either party to the dispute may invite the Secretary General of the International Centre for Settlement of Investment Disputes to make the necessary appointments.

3. The tribunal shall determine its own procedure. However, the tribunal may, in the course of determination of procedure, take as guidance the Arbitration Rules of the International Centre for Settlement of Investment Disputes.

4. The tribunal shall reach its decision by a majority of votes. Such decision shall be final and binding on both parties to the dispute. Both Contracting States shall commit themselves to the enforcement of the decision in accordance with their respective domestic law.

5. Each party to the dispute shall bear the cost of its appointed member of the tribunal and of its representation in the proceedings. The cost of the appointed Chairman and the remaining costs shall be borne in equal parts by the parties to the dispute.

Article 11

If the treatment to be accorded by one Contracting State in accordance with its laws and regulations to investments or activities associated with such investments of investors of the other Contracting State is more favorable than the treatment provided for in this Agreement, the more favorable treatment shall be applicable.

Article 12

1. The representatives of the two Contracting States shall hold meetings from time to time for the purpose of:

- /a/ reviewing the implementation of this Agreement;
- /b/ exchanging legal information;
- /c/ studying other issues in connection with investment.

2. If either Contracting State requests consultation on any matters of Paragraph 1 of this Article, the other Contracting State shall give prompt response and the consultation be held alternately in Beijing and Budapest.

Article 13

1. This Agreement shall enter into force on the first day of the next month after the date on which both Contracting States have received the written notice of the fulfillment of their respective internal legal procedures, and shall remain in force for a period of ten years.

2. This Agreement shall continue in force if either Contracting State fails to give a written notice to the other Contracting State to terminate it one year before the expiration specified in Paragraph 1 of this Article.

3. After the expiration of the initial ten years period, either Contracting State may at any time terminate this Agreement by giving at least one year's written notice to the other Contracting State.

4. With respect to investments made prior to the date of termination of this Agreement, the provisions of Article 1 to 12 shall continue to be effective for a further period of ten years from such date of termination.

In witness whereof, the duly authorized representatives of their respective Governments have signed this Agreement.

Done in duplicate in Budapest on 1991 in the Hungarian, Chinese and English languages, all three texts being equally authentic. In case there is any divergence of interpretation of this Agreement, the English text shall prevail.

For the Government of the
Republic of Hungary

For the Government of the
People's Republic of China

PROTOCOL

At the time of signing the Agreement between the Republic of Hungary and the People's Republic of China concerning the Encouragement and Reciprocal Protection of Investments, the undersigned have agreed upon the following provision which shall be regarded as an integral part of the said Agreement.

In case the People's Republic of China becomes a party to the Conventions on the Settlement of Investment Disputes between States and Nationals of Other States, opened for signature at Washington on 18 March 1965 /hereinafter referred to as "the Convention" /, the two Governments will enter into a supplementary agreement concerning the scope of disputes between a Contracting State and an investor of the other Contracting State to be submitted to the International Centre for the Settlement of Investment Disputes for settlement by conciliation or arbitration under the Convention.

Done in duplicate in Budapest on 1991 in the Hungarian, Chinese and English languages, all three texts being equally authentic, in case there is any divergence of interpretation of this Protocol, the English text shall prevail.

For the Government of the
Republic of Hungary

For the Government of the
People's Republic of China