

Treaty Series No. 3 (2002)

Agreement

LEBANON

between the Government of the
United Kingdom of Great Britain and Northern Ireland
and the Government of the Lebanese Republic

for the Promotion and Protection of Investments

Beirut, 16 February 1999

[The Agreement entered into force on 16 September 2001]

*Presented to Parliament
by the Secretary of State for Foreign and Commonwealth Affairs
by Command of Her Majesty
January 2002*

Cm 5358

**AGREEMENT BETWEEN THE GOVERNMENT OF THE UNITED KINGDOM
OF GREAT BRITAIN AND NORTHERN IRELAND AND THE GOVERNMENT
OF THE LEBANESE REPUBLIC FOR THE PROMOTION AND RECIPROCAL
PROTECTION OF INVESTMENTS**

The Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the Lebanese Republic herein referred to as the "Contracting Parties";

Desiring to encourage economic co-operation to the mutual benefit of both States;

Intending to create and maintain favourable conditions for investments by investors of one Contracting Party in the territory of the other Contracting Party;

Recognising that the encouragement and contractual protection of such investments are apt to stimulate private business initiative and to increase the prosperity of both States;

Have agreed as follows:

ARTICLE 1

Definitions

For the purposes of this Agreement:

(1) The term investor means:

(a) in respect of the United Kingdom:

(i) physical persons deriving their status as United Kingdom nationals from the law in force in the United Kingdom:

(ii) corporations, firms and associations incorporated or constituted under the law in force in any part of the United Kingdom or in any territory to which this Agreement is extended in accordance with the provisions of Article 12;

(b) in respect of Lebanon:

(i) physical persons deriving their status as Lebanese nationals from the law in force in Lebanon;

(ii) corporations, firms and associations incorporated or constituted under the law in force in Lebanon.

(2) The term "investment" means every kind of asset and in particular, though not exclusively, includes:

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

(b) shares in and stock and debentures of a company and any other form of participation in a company;

(c) claims to money or to any performance under contract having a financial value;

(d) intellectual property rights, such as copyrights, patents, industrial designs or models, trade or service marks, trade names, technical processes, know-how and goodwill, as well as other similar rights recognized by the laws of the Contracting Parties; and

(e) business concessions under public law, including concessions to search, extract or exploit natural resources as well as all other rights given by law, by contract or by decision of the authority in accordance with the law.

Any alteration of the form in which assets are invested or reinvested shall not affect their character as investment.

(3) The term "returns" means amounts yielded by an investment and in particular, though not exclusively, includes profits, dividends, interest, capital gains, royalties, or other fees, irrespective of the form in which the return is paid.

(4) The term "territory" means

(a) in respect of United Kingdom:

Great Britain and Northern Ireland, including the territorial sea and any maritime area situated beyond the territorial sea of the United Kingdom which has been or might in the future be designated under the national law of the United Kingdom in accordance with international law as an area within which the United Kingdom may exercise rights, with regard to the sea-bed and subsoil and the natural resources and any territory to which this Agreement is extended in accordance with the provisions of Article 12;

(is) in respect of Lebanon:

the territory of the Lebanese Republic, including the territorial sea and the economic exclusive zone as well as the continental shelf that extends outside the limits of the territorial waters over which the State concerned exercises, in accordance with internal and international law, sovereignty, sovereign rights and jurisdiction.

ARTICLE 2

Promotion and Protection of Investment

(1) Each Contracting Party shall encourage and create favourable conditions favourable investors of the other Contracting Party to invest in its territory, and, subject to its right to exercise powers conferred by its laws, shall admit such investment.

(2) Investments of investors of each Contracting Party shall at all times be accorded fair and equitable treatment and shall enjoy full protection and security in the territory of the other Contracting Party.

Neither Contracting Party shall in any way impair by unreasonable or discriminate measures the management, maintenance, use, enjoyment or disposal of investments in territory of investors of the other Contracting Party.

(3) Each Contracting Party shall within the framework of its national legislation give sympathetic consideration to applications for the entry and sojourn of persons of the other Contracting Party who wish to enter the territory of the former Contracting Party in connection with an investment; the same shall apply to applications for work permits for employed persons of the other Contracting Party who in connection with an investment wish to enter the territory of the former Contracting Party and sojourn there to take employment.

ARTICLE 3

National Treatment and Most Favoured Nation Treatment

(1) The treatment granted by each Contracting Party to investments of the other Contracting Party within its territory shall not be less favourable than that granted by each Contracting Party to the investments made within its territory by its own investors, or than that granted by each Contracting Party to the investments made within its territory by investors of any third State, if this latter treatment is more favourable.

(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) The provisions of this Article shall not be construed so as to oblige a Contracting Party to extend to the investors and investments of the other Contracting Party the benefit of any treatment, preference or privilege resulting from:

(a) any existing or future customs union, free trade area or regional economic integration organization or similar international agreement to which either of the Contracting Parties is or becomes a Party, or

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

(4) For the avoidance of doubt it is confirmed that the treatment provided for in paragraphs (1) and (2) of this Article shall apply to the provisions of Articles (1) to (12) of this Agreement.

(5) The provisions of this Article shall not prevent the Lebanese Government from applying Decree No 11614 dated 4 January, 1969 as amended by Decree No 5131 dated 19 March, 1973 concerning the acquisition in Lebanon of real estate rights by non-Lebanese investors. Applications made by investors of the United Kingdom under the provisions of Decree No 11614 as amended by Decree No 5131 shall be considered favourably by the competent authorities of the Lebanese Republic.

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 to investors of any third state. Resulting payments shall be freely transferable.

(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 adequate compensation. Resulting payments shall be freely transferable.

ARTICLE 5

Expropriation

(1) Investments of investors of either Contracting Party shall not be nationalised, expropriated or subjected to measures having effect equivalent to nationalisation or expropriation (hereinafter referred to as "expropriation") in the territory of the other Contracting Party except for a public purpose related to the internal needs of that Party on a non-discriminatory basis and against prompt, adequate and effective compensation. Such compensation shall amount to the market value of the investment expropriated immediately before the expropriation or before the impending expropriation became public knowledge, whichever is the earlier, shall include interest at a normal commercial rate until the date of payment, shall be made without delay, be effectively realizable and be freely transferable. The national or company affected shall have a right, under the law of the Contracting Party making the expropriation, to prompt review, by a judicial or other independent authority of that Party, of his or its case and of the valuation of his or its 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 own territory, and in which investors of the other Contracting Party own shares, it shall ensure that the provisions of paragraph (1) of this Article are applied to the extent necessary to guarantee prompt, adequate and effective compensation in respect of their investment to such nationals or companies of the other Contracting Party who are owners of those shares

ARTICLE 6

Free Transfer

Each Contracting Party shall in respect of investments guarantee to nationals companies of the other Contracting Party the unrestricted transfer of their investments a returns. Transfers shall be effected without delay in the convertible currency in which investment was originally invested or in any other convertible currency chosen by investor. Unless otherwise agreed by the investor transfer shall be made at the rate exchange applicable on the date of transfer pursuant to the exchange regulations in force.

ARTICLE 7

Principle of Subrogation

(1) If one Contracting Party or its designated Agency ("the first Contracting Part makes a payment under any insurance policy or any financial guarantee against non-commercial risks given in respect of an investment in the territory of the other Contracting Party ("the second Contracting Party"), the second Contracting Party shall recognise

(a) the assignment to the first Contracting Party by law or by legal transaction of all rights and claims of Party indemnified, and

(b) that the first Contracting Party is entitled to exercise such rights and enforce such claims by virtue of subrogation, to the same extent as the Party indemnified,

without prejudice to the rights of the first Contracting Party under Article (9) of Agreement

(2) The first Contracting Party shall be entitled in all circumstances to the same treatment in respect of:

(a) the rights and claims acquired by it by virtue of the assignment, and

(is) 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 the investment concerned and its related returns.

(3) Any payments received in non-convertible currency by the first Contracting F in pursuance of the rights and claims acquired shall be freely available to the Contracting Party for the purpose of meeting any expenditure incurred in the territory the second Contracting Party.

ARTICLE 8

Settlement of Disputes between a Contracting Party and an Investor of the other Contracting Party

(1) Disputes between an investor of one Contracting Party and the other Contracting Party concerning an obligation of the latter under this Agreement in relation 1 investment of the former which have not been amicably settled shall, after a period of four months from written notification of a claim, be submitted to international arbitration national or company concerned so wishes.

(2) Where the dispute is referred to international arbitration, the investor an Contracting Party concerned in the. dispute may agree to refer the dispute either to:

(a) The International Center for the Settlement of Investment Disputes (having regard to the provisions, where applicable, of the Convention on the Settlement of Investment Disputes between States and Nationals of other States, opened for signature at Washington DC on 18 March 19651 and the Additional Facility for the Administration of Conciliation, Arbitration and Fact-Finding Proceedings); or

(b) the Court of Arbitration of the International Chamber of Commerce; or

(c) an international arbitrator or ad hoc arbitration tribunal to be appointed by a special agreement or established under the Arbitration Rules of the United Nations Commission on International Trade Law.

If after a period of three months from written notification of the claim there is no agreement to one of the above alternative procedures, the dispute shall at the request in writing of the investor concerned be submitted to arbitration under the Arbitration Rules of the United Nations Commission on International Trade Law as then in force. The Parties to the dispute may agree in writing to modify these Rules.

(3) The arbitral tribunal shall decide the dispute in accordance with the provisions of this Agreement and the applicable rules and principles of International law. The awards of arbitration shall be final and binding on both Parties to the dispute in accordance with the rules governing the arbitral tribunal. Each Contracting Party shall carry out without delay any such award and such award shall be enforced in accordance with domestic law.

ARTICLE 9

Settlement of Disputes between the Contracting Parties

(1) Disputes between the Contracting Parties regarding the interpretation or application of the provisions of this Agreement shall be settled through diplomatic channels.

(2) If both Contracting Parties cannot reach an agreement within six months from the start of the negotiations, the dispute shall, upon request of either Contracting Party, be submitted to an arbitral tribunal of three members. Each Contracting Party shall appoint one arbitrator, and these two arbitrators shall nominate a national of a third State who on approval by the two Contracting Parties shall be appointed Chairman of the tribunal.

(3) If one of the Contracting Parties has not appointed its arbitrator and has not followed the invitation of the other Contracting Party to make that appointment within two months, the arbitrator shall be appointed upon the request of that Contracting Party by the President of the International Court of Justice.

(4) If both arbitrators cannot reach an agreement about the choice of the chairman within two months after their appointment, the latter shall be appointed upon the request of either Contracting Party by the President of the International Court of Justice.

(5) If, in the cases specified under paragraphs (3) and (4) of this Article, the President of the International Court of Justice 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, and if the latter 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 most senior Judge of the Court who is not a national of either Contracting Party.

(6) The tribunal shall reach its decision by a majority of votes.

(7) The tribunal shall decide the dispute on the basis of the provisions of this Agreement, and the principles of international law. It shall determine its procedure.

Treaty series No. 25 (1967), Cmd 3255.

(8) Each Contracting Party shall bear the cost of the arbitrator it has appointed a 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 arbitration tribunal may make a different decision concerning costs.

(9) The decisions of the tribunal, including decisions on cost, are final and binding 1 each Contracting Party.

ARTICLE 10

Other Obligations

(1) 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 this Agreement contain rules, whether general or specific, entitling investments by investors of the other Contracting Party to treatment more favourable than is provided for by this Agreement, such rules shall, to the extent that they are m(favourable, prevail over this Agreement.

(2) Each Contracting Party shall observe any other obligation it has assumed with regard to investments in its territory by investors of the other Contracting Party.

ARTICLE 11

Application of the Agreement

The present Agreement shall also apply to investments in the territory of a Contract Party by investors of the other Contracting Party prior to the entry into force of this Agreement. However, the Agreement shall not apply to disputes that have arisen before entry into force.

ARTICLE 12

Territorial Extension

At the time of entry into force of this Agreement, or at any time thereafter, provisions of this Agreement may be extended to such territories for whose international relations the Government of the United Kingdom is responsible as may be agreed between the Contracting Parties in an Exchange of Notes.

ARTICLE 13

Relations between Governments

This Agreement shall be in force irrespective of whether or not diplomatic or consular relations exist between the Contracting Parties.

ARTICLE 14

Final Provisions

(1) Each Contracting Party shall notify the other in writing of the completion of constitutional formalities required in its territory for the entry into force of this Agreement. This Agreement shall enter into force on the thirtieth day after the date of the latter of two notifications.

(2) This Agreement shall remain in force for a period of ten Years. Thereafter it shall continue in force until the expiration of twelve months from the date on which either Contracting Party shall have given written notice of termination to the other. Provided that in respect of investments made whilst the Agreement is in force, its provisions shall continue in effect with respect to such investments for a period of twenty years after the date of termination and without prejudice to the application thereafter of the rules of general international law.

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

Done in duplicate at Beirut this sixteenth day of February, 1999 in the English and Arabic languages, both texts being equally authentic.

For the Government of the United
Kingdom of Great Britain and Northern
Ireland:

D. R. MACLENNAN

For the Government of the Lebanese
Republic:

G. KORM